International Labour Conference
86th Session 1998

Report IV (2 A)

General conditions to stimulate job creation in small and medium-sized enterprises

International Labour Office Geneva

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Fourth item on the agenda

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INTRODUCTION

A first discussion of the question concerning general conditions to stimulate job creation in small and medium-sized enterprises took place at the 85th Session (1997) of the International Labour Conference. On the basis of that discussion, and in accordance with article 39 of the Standing Orders of the Conference, the International Labour Office prepared and communicated to the governments of member States the text of a proposed Recommendation concerning general conditions to stimulate job creation in small and medium-sized enterprises. This text was incorporated in Report IV (1).

Governments were invited to send, after consulting the most representative organizations of employers and workers, any amendments or comments they might wish to make, so as to reach the Office by 30 November 1997 at the latest, or to inform it, by the same date, whether they considered that the proposed texts constituted a satisfactory basis for discussion by the Conference at its 86th Session (1998).

At the time this report was prepared, the Office had received replies from the following 37 member States: Argentina, Austria, Belgium, Brazil, Cambodia, Canada, Chad, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, Germany, Greece, Italy, Japan, Jordan, Lebanon, Myanmar, Netherlands, New Zealand, Norway, Panama, Poland, Portugal, Romania, Slovakia, Spain, Suriname, Switzerland, Tunisia, Turkey, United Arab Emirates and the United States.

In the case of 18 countries (Austria, Belgium, Brazil, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, Germany, Japan, Jordan, New Zealand, Norway, Portugal, Rwanda, South Africa and Switzerland), the replies of employers' and/or workers' organizations were incorporated into those of the government, appended to the government's replies, or communicated directly to the Office.

To ensure that the English and French texts of the proposed Recommendation are in the hands of the governments within the time-limit laid down in article 39, paragraph 7, of the Standing Orders of the Conference, these texts have already been published in a separate volume, Report IV (2B), that has been sent to them. The present volume, Report IV (2A), which has been drawn up on the basis of the replies from governments and from employers' and workers' organizations, contains the essential points of their observations. It is divided into two sections: the first comprises observations of a general nature, while the second section contains their observations on the proposed Recommendation, with the Office commentaries on these observations. For reasons of space, it has been necessary at times to reduce length whilst retaining a comment's substance. Most comments followed closely the structure of the text of the Recommendation and specified the parts of the text which were being referred to. In those instances where this did not happen, however, the Office has, to the best of its judgment, allocated observations to appropriate parts of the report.

ABBREVIATIONS

Austria	Austrian Confederation of Trade Unions (ÖGB)
Belgium	National Labour Council (CNT)
Brazil	General Confederation of Workers (CGT)
	National Confederation of Commerce (CNC)
	National Confederation of Transport (CNT)
Canada	Canadian Labour Congress (CLC)
Croatia	Union of Autonomous Trade Unions (UATU)
Czech Republic	Czech-Moravian Chamber of Trade Unions (ČMKOS)
Denmark	Danish Confederation of Professional Associations (AC)
	Danish Confederation of Trade Unions (LO)
	Danish Federation of Public Servants' and Salaried Employees' Organizations (FTF)
Estonia	Association of Estonian Trade Unions (ETUA)
Finland	Confederation of Unions for Academic Professions (AKAVA)
	Central Organization of Finnish Trade Unions (SAK)
	Finnish Confederation of Salaried Employees (STTK)
	Commission for Local Authority Employers (KT)
	Confederation of Finnish Industry and Employers (TT)
	The Employers' Confederation of Service Industries (LTK)
Germany	Confederation of German Employers' Associations (BDA)
Japan	The Japan Federation of Employers' Associations (NIKKEIREN)
New Zealand	New Zealand Council of Trade Unions (NZCTU)
Norway	Confederation of Trade Unions in Norway (LO)
	Confederation of Norwegian Business and Industry (NHO)
Portugal	General Confederation of Portuguese Workers (CGTP)
	General Union of Workers (UGT)
	Confederation of Portuguese Industry (CIP)
	Confederation of Portuguese Business (CCP)
Rwanda	Confederation of Trade Unions of Rwanda (CESTRAR)
South Africa	Business South Africa (BSA)
Switzerland	Swiss Federation of Trade Unions (SGB)

REPLIES RECEIVED AND COMMENTARIES

The replies received with regard to the proposed Recommendation concerning general conditions to stimulate job creation in small and medium-sized enterprises are presented below. The replies are followed, where appropriate, by brief Office commentaries.

The governments of the following 14 member States stated that they had no observations to put forward or that they had no comments other than to state that they considered that the proposed text constituted a satisfactory basis for discussion at the 86th Session of the Conference: Cambodia, Chad, Cyprus, Greece, Lebanon, Myanmar, Netherlands, Panama, Poland, Romania, Slovakia, Suriname, Turkey and United Arab Emirates.

General observations

AUSTRIA

In general terms, the Government considers that the proposed text is a suitable basis for discussion at the 86th Session of the International Labour Conference.

Austrian Confederation of Trade Unions (ÖGB). There are no fundamental objections to the proposed Recommendation. As the Preamble makes clear, small and medium-sized enterprises certainly play a key role and are responsible for creating most jobs. However, there is no guarantee that small and medium-sized enterprises would offer better access to productive, secure and quality employment for women and other disadvantaged groups.

BELGIUM

Report IV (1) appears to reflect adequately the discussions held at the last session of the Conference. There does not therefore seem to be any reason to alter the fundamental balance of the text. None the less, Belgium proposes some amendments which may strengthen or clarify the proposed text.

National Labour Council (CNT). Having examined the proposed Recommendation, the Council wishes to make a number of comments, based inter alia on a parallel reading of the text and Opinion No. 1149 of the Council of 30 April 1996 concerning Report V (1) of the ILO, which was the preliminary report that served as a basis for the first discussion of the item at the International Labour Conference.

The Council notes that, in accordance with the wish expressed in its Opinion No. 1149 mentioned above, the ILO has drafted an instrument consisting of a Recommendation concerning general conditions to stimulate job creation in small and medium-sized enterprises, and also notes with satisfaction that the text reflects the concern, expressed in Opinion No. 1149, that a balance should be found between

economic development issues and the social aspects of job creation in SMEs. It urges the Office to ensure that the final instrument also reflects a concern to achieve this balance.

BRAZIL

The Government believes that the text proposed by the Office, with the changes introduced for the purposes of greater clarity and consistency, constitutes a valuable document which will serve as a basis for the discussions at the 86th Session of the International Conference in 1998.

General Confederation of Workers (CGT). The General Confederation of Workers expresses its agreement with the account of the first discussion in plenary (*Provisional Record No. 17*) and Report IV (1) concerning general conditions to stimulate job creation in small and medium-sized enterprises.

CROATIA

The proposed Recommendation is of particular significance to the Republic of Croatia, where there are currently 146,000 registered enterprises whose owners' and workers' future is often uncertain owing to the absence of any national strategic measures.

Union of Autonomous Trade Unions of Croatia (UATU). The proposed Recommendation is a good document that will become an essential guideline for member States on how to formulate and implement national policies with regard to job creation in small and medium-sized enterprises. It will help create conditions favourable to the development of such enterprises, thus stimulating job creation.

CUBA

Apart from proposed amendments to the Preamble and Paragraph 4, Cuba considers the rest of the proposed text to be a suitable basis for discussion at the next session of the International Labour Conference.

CZECH REPUBLIC

The Czech Republic considers the proposed content of the Recommendation to be beneficial because it aims to provide job stability for SME employees. In fact, a considerable part of the Recommendation coincides with the principal points of the policy of support to small and medium-sized enterprise development prepared by the Czech Ministry of Industry and Trade in cooperation with the Ministry for Local Development. However, some of the proposals inherently contradict the principles of a free market economy based on voluntary agreements (other than in the cases of adherence to laws and regulations).

DENMARK

Denmark generally supports the drawing up of a Recommendation on job creation in small and medium-sized enterprises.

In the effort to create the best possible framework conditions for entrepreneurs and SMEs it is important — as the Government has emphasized on previous occasions — to ensure that the Recommendation focuses exclusively on the overall, general framework. Experience shows that local and regional conditions are of decisive importance for the establishment of new enterprises and for the growth potential of SMEs. The adoption of specific support schemes, programmes and requirements for different policy fields should therefore take place only at the national level.

It is also essential to ensure that the establishment of the best possible framework conditions will not lead to deteriorations in workers' rights in matters of pay, working conditions, etc. The Recommendation should therefore strike the appropriate balance between the rights of the employees on the one hand, and the stated intention of promoting the right conditions for SMEs on the other.

In order to ensure sustainable development, SMEs should also be supported in their efforts to plan and organize production with due regard to both the internal and the external environment.

In the opinion of the Government, the proposed text constitutes a sound basis for the continued discussions. It is, however, the Danish position that the focus in the further discussions should be on reducing the scope and detail of the Recommendation.

In the light of the fact that the Preamble lays down the general framework for the interpretation of the Recommendation, the Government finds it inappropriate that the operative paragraphs refer to issues or rights, such as child labour or the right to organize, which are already covered by the Preamble. The scope and detail of the Recommendation may thus be reduced by including all the references in the Preamble and not repeating them in the operative paragraphs (cf. for example Paragraph 6, clause 1 (c), Paragraph 7, clause 3 (a), and Paragraph 9, clause 3). However, there may still be a need in certain individual provisions to single out items covered by the Preamble.

ESTONIA

The Ministry of Social Affairs considers that the proposed text of the Recommendation is suitable for continuing discussions at the 86th Session of the International Labour Conference.

FINLAND

The proposed ILO Recommendation concerning general measures to stimulate job creation in small and medium-sized enterprises is a necessary initiative for both industrialized and developing countries. All measures for promoting job creation in SMEs are important, and the operational environment of these enterprises has to be developed so as to provide conditions for profitable operations.

The promotion of SME operations has been much under consideration in recent years in Finland. Relevant legislation has been developed in the spirit of the ILO report, and projects have been launched to develop an enterprise culture and a service infrastructure for SMEs. On 2 May 1996, the Council of State made a policy decision on the development of operational conditions for SMEs. Guiding principles concerning the promotion of SME activities have also been under consideration in the Government's industrial policy report. Essentially, Finland's guiding principles are in line with the proposed ILO Recommendation.

The amendments made by the International Labour Office to the proposed Recommendation (pp. 3-7 of the Report IV (1)) are beneficial. The text could, however, be further developed by focusing on certain fundamental aspects, which would be important for the instrument's future significance. For example, small and medium-sized enterprises should be assisted with the development of their internal innovation systems. Here, one could mention lifelong learning and the development of interaction systems. Personal and vocational development and rising levels of know-how among employees should increasingly be seen as important resources for SMEs. In Finland, the policy of developing human resources based on the principle of lifelong learning and on working life needs is consolidated within the framework of the National Programme for Working Life.

The proposed Recommendation could be further sharpened by incorporating the entrepreneurs' own work. A considerable number of small and medium-sized enterprises are established when larger enterprises externalize their activities. Changes in the conventional concept of employment relationships may also be related to this development. When promoting SMEs, it is also important to support cooperation between SMEs and large enterprises. The welfare of SMEs often depends on the success of large enterprises, and even large-scale enterprises need a stable and suitable operational environment. This aspect could be incorporated in the Recommendation in an appropriate way.

Employers' Confederation of Service Industries (LTK) and Confederation of Finnish Industry and Employers (TT). The proposed Recommendation as it is now is quite long. The aim of the Recommendation is good but, if the document becomes very comprehensive, its aims may be obscured. In the continued preparations, attention should be focused on issues related to the promotion of job creation, leaving out, as far as possible, matters not directly relevant to this.

Central Organization of Finnish Trade Unions (SAK), Finnish Confederation of Salaried Employees (STTK), Confederation of Unions for Academic Professions (AKAVA). Measures to stimulate SMEs must not result in weaker basic rights and less purchasing power for their employees.

Commission for Local Authority Employers (KT). Finnish local authorities are actively supporting SME activities in their regions and are aware of their significance as employers. Although it is useful to pay attention to the operational conditions of small and medium-sized enterprises, a comprehensive Recommendation like the one proposed is too detailed for implementation in the member States. Even an itemized list of promotable factors worthy of consideration cannot provide complete coverage or be kept up to date. Municipalities and enterprises must be able to obtain services externally from SMEs in cases where this is considered desirable and offers economic and operational advantages. For this reason the promotion and enabling of free competition in all sectors are central to the Recommendation.

Federation of Finnish Enterprises. The Federation of Finnish Enterprises endorses the proposed Recommendation and finds it very positive that so much attention is being paid to the enhancement of the operational conditions of SMEs. However, the Federation also wishes to point out that when drafting the Recommendation, member States' experience of obstacles to employment should have been given specific attention and mapped out. They could then have been analysed and resulted in more concrete proposals, yielding immediate results. In the proposed Recommendation, more emphasis should be given to how SMEs could provide employment with the coopera-

tion of labour market organizations. In the opinion of the Federation, it is good that the guiding principle of the proposed Recommendation is the equal status of enterprises. Raising employment by enhancing the general operational conditions of SMEs without factitious measures also has to be a basic premise.

GERMANY

First, it is striking that the Report (German text) refers in some passages to "small and medium-sized firms" and in others to "small and medium-sized enterprises". Since at the Conference only the English and French versions of the document are authoritative, the definitive German term will be established at the Translation Conference involving Government representatives from Austria, Switzerland and Germany and ILO officials which normally takes place some time after the Conference. The term "small and medium-sized enterprises" has been used in the subsequent comments without prejudice to the term that will eventually be agreed.

Secondly, there are no fundamental objections to the proposed text with regard either to the concept or content. The basic objective of giving renewed impetus to job creation in small and medium-sized enterprises is to be welcomed. The sphere of application of the Recommendation is sufficiently broad to allow an appropriate degree of flexibility. The list of measures required in terms of national policies and support services is comprehensive.

The Recommendation should, however, give greater emphasis to the importance of small and micro-enterprises in job creation. This area, as the informal sector, has traditionally been the most important factor in employment in the less developed countries.

Globalization, growing unemployment and the trend towards a service-based society have also led to the explosive growth of small and micro-enterprises which should be used to achieve labour market objectives.

From the German perspective, particular emphasis should be given to the possibility of using labour market instruments to create the basic conditions required for the establishment of enterprises and thus help suitable unemployed people to become self-employed. The continued payment for a set period of unemployment benefits to unemployed persons endeavouring to set up businesses (bridging allowances under §57 of Social Law Code, Book III) and the payment of labour cost allowances to unemployed people hired during the years immediately after the establishment of a business (recruitment allowance following establishment of a new company, §225, Social Law Code, Book III) could serve as a model to other countries. In subsequent comments on specific provisions of the Recommendation, appropriate amendments are suggested.

Thirdly, in a number of passages — for example, clause 9 (3) (b), clause 10 (j), subparagraph 15 (4) and subparagraph 15 (6) — the proposed text emphasizes the requirement for equality between men and women. This could inadvertently create the impression that equality at work is an issue only for small and medium-sized enterprises, whereas it must be achieved irrespective of the size of the enterprise. The special emphasis noted here would be justified only if there were a particular deficiency in this area in small and medium-sized enterprises, and this has not been the German

experience. This should be reflected in the wording of the text by adding (for example) "where necessary".

It should also be noted that, in so far as the problem concerns greater economic participation by women, any measures to improve the situation and participation of women in small and medium-sized enterprises are directed at these enterprises themselves. Appropriate entrepreneurial role models and award schemes as mentioned in the Recommendation can only be introduced and implemented by industry itself. In Germany, the promotion of equality between the sexes in the labour market and the fight against unemployment are based on the Employment Promotion Act (Social Law Code, Book III). This instrument provides for measures to promote the employment of women in proportion to the percentage of women among the total unemployed population. This has been successfully applied in many areas, and small and medium-sized enterprises can also benefit from such measures.

A fourth point is that human resources development through training and further training is of particular importance to small and medium-sized enterprises as a way of ensuring a supply of skilled labour. Training through vocational training schemes and in further education institutions should include courses which will endow workers with a broad range of skills that will meet the needs of the labour market as well as the specific concerns and requirements of small and medium-sized enterprises. The strength of the German "twin-track" training system, which involves schools and enterprises, lies in the fact that the training itself takes account of companies' specific requirements. In the further education colleges, too, and especially in the training courses offered by the technical colleges, practical links with the world of work are increasingly being created and with them the vital link between the education and employment systems.

In the field of further vocational training, it is generally the requirements of enterprises that are behind initiatives for specific further training measures. It is therefore primarily the business of the firms themselves to provide suitable further training opportunities. In this respect, the small and medium-sized enterprises are still behind the big companies: in 1994, their rate of participation in further training programmes, at 26 per cent, was 12 percentage points below that of the big companies. Small and medium-sized enterprises obviously hesitate to take advantage of (often expensive) training programmes, given the danger that qualified workers will be lured away by other firms.

Confederation of German Employers' Associations (BDA). The BDA is broadly in favour of adopting a Recommendation on this subject. The creation of a favourable environment for small and medium-sized enterprises is an essential element in a strategy for job creation and combating unemployment. An ILO Recommendation would draw attention to this fact at international level and suggest appropriate measures. These should be directed solely at offsetting the disadvantages of scale facing small and medium-sized enterprises by, for example, providing easier access to capital. Protective and promotional measures going beyond this do not appear to be desirable.

The Proposed Recommendation now under consideration is broadly acceptable. However, it should be tightened up and made to focus on the need to "stimulate job creation". Topics that do not relate directly to that objective should be excluded. This applies especially to the improvement of working conditions and social protection to which many of the Recommendation's provisions refer. This is already dealt with in many ILO standards applicable to workers in small and medium-sized enterprises and

requires no additional treatment here. On the other hand, there is no objection to the inclusion in the Preamble of a general reference to the other relevant ILO Conventions.

ITALY

Italy attaches a great deal of importance to the adoption of an ILO instrument on this matter. The Governments of Italy, Sweden and the United Kingdom made a joint statement on the subject of job creation in SMEs at the recent European Employment Summit held on 20-21 November 1997. Furthermore, Italy endorsed the final conclusions of the G8 Conference at Kobe, where the role of SMEs in creating employment was not only acknowledged but held to merit the support of all members. Italy welcomes the Recommendation option because of its flexibility and adaptability to the particular conditions of each country.

JAPAN

Since small and medium-sized enterprises have played a clear role in providing employment, it is timely to examine measures to help them in achieving stable growth and efficiency and in sustaining an effective role in the field of employment. This theme covers social and economic matters in general, as well as specifically labour-related issues. Therefore, it is not appropriate to try to establish detailed and uniform provisions and apply them to each Member. Each Member should plan and implement necessary measures in accordance with its national conditions. From this point of view, it is appropriate to adopt a Recommendation which will provide flexible guidelines for Members concerning measures which are adapted to national conditions.

Japan Federation of Employer Associations (NIKKEIREN). The instrument should take the form of a Recommendation, which is not legally binding. It is very good that the text of the Recommendation states that small and medium-sized enterprises are playing a key role in job creation and the development of market economies.

The text of the Recommendation should respect national practices and the diversity among member States of the situations of small and medium-sized enterprises, particularly in respect of the scope of the SMEs to which this Recommendation applies. This is a key factor when Members decide whether to adopt the policies and the measures that the Recommendation encourages the constituents to consider, and whether to facilitate the development of organizations which support SMEs.

The experience of Western industrial countries shows that overprotection of workers does not have beneficial effects on the creation of small and medium-sized enterprises. The text of the Recommendation should, therefore, allow much greater flexibility in each member State's system and promote deregulation.

JORDAN

Having examined the Recommendation, and in view of the importance of SMEs in the promotion of job creation, Jordan considers the Recommendation to be a suitable instrument.

Amman Chamber of Industry. The Amman Chamber of Industry in principle favours Arab and international labour Recommendations concerning the establishment

of general conditions for job creation in SMEs. This is an important element of economic development and the capacity to employ workers, particularly those who are compelled by their family, social and educational circumstances to seek employment opportunities. These people need a period of training when they take up their jobs, either on-the-job or elsewhere, in order to become qualified and be most usefully employed.

The Chamber prefers the Recommendation to be called: "Recommendation concerning the establishment of general conditions for job creation in small and medium-sized enterprises".

General Federation of Jordanian Trade Unions. Having examined the text of the Recommendation, the Federation considers it suitable and has no amendments to propose.

Federation of Jordanian Chambers of Commerce. In view of the importance of SMEs in job creation and the development of market economies, and in the light of the content of the proposed Recommendation, the Federation considers it to be comprehensive and not in need of any amendments, bearing in mind that it will be submitted for discussion during the coming session of the Conference in 1998 as the fourth item on the agenda.

New Zealand

The Government has no amendments or comments to make on the proposed text. However, the Government's position on this remains unchanged: it does not support the adoption by the ILO of an instrument on small and medium-sized enterprises.

Norway

The content of the proposed Recommendation is largely in line with the Government's policy on small and medium-sized enterprises. The Government has examined the various changes presented by the ILO in the report and endorse the great majority of them. By and large they make the text clearer and more to the point. Absence of comment on their part means that they regard the change as an improvement on the text in question.

Confederation of Trade Unions in Norway (LO). Some improvements of the draft Recommendation were made as a result of the first reading. The ILO's task is to promote workers' rights and it should thus emphasize the social dimension of the Recommendation.

Portugal

The Government considers that the draft submitted by the ILO is a good basis for a second discussion of the item, without prejudice to any position it may wish to adopt in the course of such discussions or to any remarks it may make on this topic.

General Confederation of Portuguese Workers (CGTP). In general terms, given that this Proposed Recommendation seeks to stimulate job creation in SMEs, it should be noted that questions most directly related to the topic should have a stronger pres-

ence in the text. In fact, this draft is geared above all to the enterprise perception and gives too little weight to certain major issues from the labour standpoint.

This being the case, the Confederation's remarks address that concern, in the hope that the Recommendation can address more satisfactorily a number of points, including quality of employment, working conditions, social protection, workers' representation and union rights, and access to continuous training.

General Union of Workers (UGT). The Proposed Recommendation seems ready for submission to the Conference at its 86th Session.

Confederation of Portuguese Industry (CIP). The CIP continues to believe that there is no justification for adopting an international instrument on this matter, which should be dealt with in each country as a domestic issue.

Conditions of economic and social development are so diverse in the various regions and countries — just look, for instance, at some areas of Africa and Asia — that any Recommendation, however flexible, will always be limited when it comes to practical enforcement of its provisions.

If, however, in defiance of realism, a decision is taken to adopt such an instrument, its tenor must be such that it will not interfere with the prevailing economic and social diversity.

Confederation of Portuguese Business (CCP). The Proposed Recommendation discussed at the 85th Session of the International Labour Conference overall constructively sums up the concerns expressed by this Confederation about the role of SMEs in employment.

South Africa

Business South Africa (BSA). Business is not opposed in principle to the adoption of an instrument in the form of a Recommendation, but this obviously depends on the scope and substance of the conclusions reached at the International Labour Conference.

The importance of a healthy macro-economic policy in the establishment, fostering and development of SMEs cannot be overstated.

In general, the ILO document goes a long way to address the constraints on a vibrant SME environment. It is of crucial importance to strike the right balance between economic growth and social equity. The most important challenge lies in the creation of an open, flexible economic environment by removing constraining factors such as taxes, legislation, inflation and inadequate infrastructure, without creating poor social conditions, unemployment and deficiencies with regard to other labour standards.

Spain

The text is the outcome of lengthy negotiations between the government, employers' and workers' representatives of each country, who achieved consensus on the text. This consensus, and the vast differences between the realities and problems of each country, explain the text's insistence on certain points and vagueness on others.

For example, the reason why it often refers to the informal sector is that in many countries, especially those of sub-Saharan Africa, the informal sector in fact consti-

tutes the real economy. Trade union representatives are therefore very keen on shoring up as much of the informal sector as possible, in order to safeguard employment in each country.

Generally speaking, the text presented by the Office is more or less acceptable for all countries and includes all of the substantive amendments supported by Spain and the other European Union member States.

Switzerland

In general, the Government welcomes the proposed Recommendation as presented for discussion at the 1998 Conference and has no major observations or amendments to propose. The Government of Switzerland confirms the main thrust of the position it adopted on 27 June 1996. It should also like to recall that Swiss labour law does not make any distinction between SMEs and other enterprises. It is therefore important for the proposed instrument not to establish in fundamental terms any special scheme or special treatment for SMEs in this sphere.

The presentation of a proposed Recommendation is a good political choice which should not be called into question, and should enable a consensus to be established rapidly between the tripartite constituents of the ILO and the Conference. It is important to recognize and to promote in this way the role of SMEs in very varied spheres. The Government is ready to support any proposal to reduce to a minimum the technical discussion on the subject in June 1998.

Turkey

Confederation of Turkish Employers' Associations. The Confederation is of the opinion that the proposed text is broadly suitable. In particular, it considers it to be extremely positive that emphasis is laid on the need for the member States to lay down a detailed definition of SMEs in their national legislation; for the elements relating to the definition which are set out in the first section of the draft under the heading "Definition, purpose and scope" to be formulated in such a way as to allow the necessary flexibility; for the promotion and support of SMEs in the social and financial field to complement one another harmoniously; and in particular for legislative provisions restricting initiative to be abolished.

The Confederation is still completing an important part of the arrangements relating to the roles of employee and employer organizations for which provision is made in Part V of the proposed text. In this context, it subscribes to the arrangements for which provision is made in the proposed text.

United States

The United States has found that a vital SME sector plays a critical role in economic growth and job creation. These firms are often the crucible from which new innovative businesses emerge. The new discussion draft, while providing a starting-point for a second discussion, still requires improvement in order to capture the dynamic nature of these firms and the essential characteristics of an enterprise culture in which they can thrive and create new employment opportunities. The United States

will suggest amendments to help achieve this objective at the International Labour Conference in June 1998.

OFFICE COMMENTARY

The vast majority of replies state that they generally consider the text of the proposed Recommendation to be a satisfactory basis for discussion during the 86th Session of the International Labour Conference. However, a number of replies emphasize the need to avoid excessive detail, while others suggest there could be greater focus in some areas, such as the importance of human resource development, innovation and free competition for the development of small and medium-sized enterprises. Furthermore, several comments emphasize the need for the Recommendation to maintain an appropriate balance between economic development and social issues.

Proposed Recommendation concerning general conditions to stimulate job creation in small and medium-sized enterprises[1]

The General Conference of the International Labour Organization,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Eighty-sixth Session on June 1998, and

Aware of the importance of job creation in small and medium-sized enterprises,

Recalling the resolution concerning the promotion of small and medium-sized enterprises adopted by the International Labour Conference at its 72nd Session in 1986, as well as the Conclusions set out in the resolution concerning employment policies in a global context, adopted by the Conference at its 83rd Session, 1996,

Noting that small and medium-sized enterprises, as a critical factor in the ongoing growth of market economies, are responsible for the creation of the majority of jobs throughout the world,

Recognizing that small and medium-sized enterprises provide the potential for women and other traditionally disadvantaged groups to gain access under better conditions to productive, sustainable and quality employment opportunities,

Convinced that promoting respect for the Forced Labour Convention, 1930, the Freedom of Association and Protection of the Right to Organise Convention, 1948, the Right to Organise and Collective Bargaining Convention, 1949, the Abolition of Forced Labour Convention, 1957, and the Discrimination (Employment and Occupation) Convention, 1958, will enhance the creation of quality employment in small and medium-sized enterprises and in particular that promoting respect for the Minimum Age Convention and Recommendation, 1973, will help Members to meet their concerns with respect to the issue of child labour,

Also convinced that the adoption of new provisions on job creation in small and medium-sized enterprises, to be taken into account together with:

[1] The observations are preceded by the relevant texts as given in the proposed Recommendation set out in Report IV (1)

(a) the relevant provisions of other international labour Conventions and Recommendations as appropriate, such as the Employment Policy Convention and Recommendation, 1964, and the Employment Policy (Supplementary Provisions) Recommendation, 1984, the Co-operatives (Developing Countries) Recommendation, 1966, the Human Resources Development Convention and Recommendation, 1975, and the Occupational Safety and Health Convention and Recommendation, 1981, and

(b) other proven ILO initiatives promoting the role of small and medium-sized enterprises in sustainable job creation and encouraging adequate and common application of social protection, including Start and Improve Your Business or other programmes as well as the work of the International Training Centre of the ILO in training and skills enhancement, will provide valuable guidance for Members in the design and implementation of policies on job creation in small and medium-sized enterprises,

Having decided upon the adoption of certain proposals with regard to general conditions to stimulate job creation in small and medium-sized enterprises, which is the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of a Recommendation;

adopts this day of June of the year one thousand nine hundred and ninety-eight the following Recommendation which may be cited as the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998.

Observations on the Preamble

Canada. Canada suggests replacing in the fifth paragraph the phrase: "as a critical factor in the ongoing growth of market economies", with "as a critical factor in economic growth and development". This would make the statement more universally applicable.

Canadian Labour Congress (CLC). In the fifth paragraph beginning with "Noting . . .", the CLC propose replacing the phrase "as a critical factor in the ongoing growth of market economics" with the phrase "as a critical factor in economic growth and development". It is inappropriate for an ILO instrument to include such wording as "ongoing growth", given that such instruments are intended to be timeless in their applicability.

In the seventh paragraph, it welcomes the reference to the ILO Minimum Age Convention and Recommendation, and suggest that the sentence should be strengthened by changing "with respect to the issue of child labour" to "with respect to the prohibition of child labour".

Croatia. In the sixth paragraph of the Preamble, women are referred to as one of the groups who are traditionally disadvantaged in terms of access to employment. Croatia considers that this formulation is inappropriate because women belong to all disadvantaged groups referred to in this paragraph and they cannot be defined as a "group". If women are denied access to employment because of their gender, it is a case of gender-based discrimination regardless of which disadvantaged group they belong to. Therefore, Croatia proposes that the words "women and other" should be deleted from this paragraph, and that a new paragraph should be inserted after this paragraph which would read as follows: "Recognizing that small and medium-sized enterprises provide special potential for women to gain access to productive and quality employment."

Union of Autonomous Trade Unions (UATU). In the fifth paragraph replace the text "as a critical factor in the ongoing growth of market economies" with "as a critical factor in economic growth and development". This is because ILO instruments should be timeless and without any time-restrictive references such as "the ongoing growth".

In the seventh paragraph, the UATU strongly welcomes the reference to the ILO Minimum Age Convention and Recommendation, because it will allow the struggle of the international community against the use of child labour to continue, and it suggests that the phrase "issue of child labour" should be replaced with "prohibition of child labour".

Cuba. In the fifth paragraph the word "market" should be deleted, since SMEs are just as important in countries with a planned economy or lacking the characteristics of a market economy.

This amendment is in line with the provisions of Paragraph 1 under "Definition, purpose and scope", which allows States to define small and medium-sized enterprises "in accordance with national social and economic conditions", all of which is consistent with the universal nature of the International Labour Organization.

Czech Republic. Czech-Moravian Chamber of Trade Unions (ČMKOS). In paragraph 5, replace the wording "as a critical factor in the ongoing growth of market economies" with "as a critical factor in economic growth and development".

In paragraph 7, final sentence, replace the phrase "their concerns with respect to the issue of child labour" with "their concerns with respect to the prohibition of child labour".

Denmark. Denmark agrees with the removal of the reference to the ILO Minimum Age Convention and Recommendation from paragraph 8 to paragraph 7, with a view to ensuring that the job creation in SMEs will not lead to increased use of child labour.

With a view to ensuring equal pay for equal work, it is suggested that a reference to the Equal Remuneration Convention, 1951 (No. 100), should be added to the Preamble.

Danish Federation of Public Servants' and Salaried Employees' Organizations (FTF), Danish Confederation of Professional Associations (AC), Danish Confederation of Trade Unions (LO). The creation of jobs in SMEs must not lead to more use of child labour. The inclusion in paragraph 7 of a reference to the ILO Minimum Age Convention and Re mmendation (1973) with a view to preventing child labour in SMEs is supported, but it is important to replace the words "with respect to the issue of child labour" with the words "with respect to the prohibition of child labour".

Also, it is important ..at a reference to the Equal Remuneration Convention, 1951 (No. 100), be added to the Preamble to ensure equal pay for equal work.

Egypt. The Preamble should be amended as follows: delete from paragraph 4 the phrase "adopted by the Conference at its 83rd Session"; delete from paragraph 5 the phrase "the majority of"; delete from paragraph 6 the phrase "women and other"; delete from paragraph 7 the phrase "and in particular . . . issue of child labour"; delete from paragraph 8 (b) the phrase "including Start and Improve . . . training and skills enhancement".

Move amended paragraph 5 to a new position between current paragraphs 2 and 3. Move amended paragraph 4 to a new position between current paragraphs 6 and 7.

Estonia. Association of Estonian Trade Unions (ETUA). In view of the importance of the development of an enterprise culture, the Communications within the Undertaking Recommendation, 1967 (No. 129), could be added to the Preamble.

Finland. The text of the fifth paragraph of the Preamble could be amended so as to become more neutral and timeless and thus more suitable for an ILO document, for

example: "Noting that small and medium-sized enterprises, as a critical factor in economic growth and development, are to an important part responsible for . . .".

LTK and TT. The Preamble should be rewritten without the references to ILO Conventions and Recommendations, to avoid creating a false impression with regard to the aim of the Recommendation.

SAK, STTK and AKAVA. The seventh paragraph in the Preamble, referring to the ILO Minimum Age Convention and Recommendation, is strongly supported. However, the phrase "the issue of child labour" should be replaced by "the prohibition of child labour".

Germany. BDA. The reference to the fundamental ILO Conventions and in particular to the fact that "promoting respect for the Minimum Age Convention and Recommendation, 1973, will help Members to meet their concerns with respect to the issue of child labour" is a generality which has no bearing on the specific object of the Recommendation.

Italy. The changes made to the Preamble are an improvement, particularly with regard to the State's concerns with respect to the issue of child labour, a subject that should also be reflected in the operative part of the Recommendation. The Preamble is something of an innovation in that it does not confine itself to listing ILO instruments but refers to other ILO initiatives to promote training for workers in SMEs and foster the establishment of such enterprises, not just to the activities of the ILO International Training Centre at Turin.

New Zealand. New Zealand Council of Trade Unions (NZCTU). The reference to the ILO Minimum Age Convention and Recommendation is especially welcome.

In Paragraph 5, there could be some debate about the definition of "market economy" and the relevance of SMEs and the proposed instrument in economies that might be described as "mixed" or similar. Instruments should have universal and timeless applicability, and this would be achieved by adopting a more neutral phrase such as "in ongoing economic growth and development".

Also, the Preamble would be strengthened by making the Recommendation refer to the prohibition of child labour and not just the issue of child labour.

Norway. The wording of the Preamble was drafted by the tripartite working party which formulated an agreed text for the Preamble. The Preamble thereafter prompted no discussion in the committee itself, and the working party did — according to the views of the Norwegian Government authorities — a good job in capturing the views of the various parties in this matter.

In the fifth paragraph, the Preamble underlines the significance of SMEs for the ongoing growth of market economies. A more general reference to the significance of SMEs for economic growth and development would probably make the Recommendation more adaptable to changing situations. It would also be an advantage if the reference did not refer to a particular economic system. Also, consider replacing the phrase ". . . are responsible for the . . ." by ". . . play an important role in". It may be advisable to avoid expressions that place sole responsibility for job creation on SMEs.

In the sixth paragraph, consider replacing the phrase "the potential" by "an important potential" so as to avoid the impression that small and medium-sized enterprises provide the only potential for women and other traditionally disadvantaged groups.

LO. There have been some improvements in the draft proposal, in particular the inclusion of references to instruments already adopted. The ILO's task is to promote workers' interests, which is why consideration for the quality of employment in small and medium-sized enterprises (SMEs) must occupy centre-stage in the work on the Recommendation.

In the seventh paragraph, the reference to child labour should be reinforced so as to put the emphasis on the abolition of child labour rather than merely refer to the problem.

Confederation of Norwegian Business and Industry (NHO). The Preamble to the proposed text gives a tedious catalogue of previous ILO Conventions and other provisions and initiatives with a bearing on job creation. The Preamble should be rewritten and given a new content.

Portugal. The Preamble is far too long and the wording is not the most felicitous. There are no objections, however, to the content.

Rwanda. Confederation of Trade Unions of Rwanda (CESTRAR). In the fifth paragraph, replace the text "in the ongoing growth of market economies" by "in economic growth and development". Given that ILO instruments are intended to remain applicable indefinitely and should therefore not make reference to a variable phenomenon, it is inappropriate to include words such as the "ongoing growth of market economies".

In the seventh paragraph the Confederation is in agreement with the reference to the Minimum Age Convention and Recommendation. It stresses the importance of including a reference to the need to combat child labour, and also suggests adding extra emphasis by replacing the words "issue of child labour" with "prohibition of child labour".

Switzerland. Swiss Federation of Trade Unions (SGB). The SGB endorses for the most part the recommendations of the International Federation of Free Trade Unions (ICFTU) and also wish to make the following observations:

In the fifth paragraph of the Preamble, it proposes the following text: "Noting that small . . . factor in economic growth and development are responsible for the creation . . .". For the purposes of their practical application, ILO instruments should be without limitation of time and should not refer to such a phenomenon subject to variation as "the ongoing growth of market economies".

In the seventh paragraph, reference should also be made to the ILO Minimum Age Convention and Recommendation.

United States. The creation and maintenance of good jobs in a global economy depends upon business environments in which successful firms can grow and compete, where the spirit of entrepreneurship prevails, and obstacles to innovation are minimized. Consideration should be given to amending the Preamble to better reflect this overarching set of considerations and the consequences of globalization and increased competition. Unless the new Recommendation is seen to contain these essential elements, it will fall short of its objective of advancing the creation of "general conditions to stimulate job creation in small and medium-sized enterprises".

Office commentary

Most replies indicate general agreement with the Preamble as it exists, although some specific suggestions for changes are made. A few comments make proposals for

more substantial revisions, while it is also pointed out that the present text is the result of a tripartite working party and should therefore be accepted in its current form.

A number of replies have proposed that the words "in the ongoing growth of market economies" in the fifth paragraph of the Preamble should be replaced by the words "in economic growth and development". The Office agrees with the proposed change which is more broadly applicable and the text has been amended accordingly.

A number of replies suggested that the wording of the phrase "the issue of child labour" in the seventh paragraph of the Preamble was not forceful enough and needed strengthening. The Office agrees with the proposed change and has decided to amend the text by replacing the phrase "to meet their concerns with respect to the issue of child labour" by the wording "in their efforts to eliminate child labour".

Some replies suggest that references to the following instruments should be included: The Equal Remuneration Convention, 1951 (No. 100), and the Communications within the Undertaking Recommendation, 1967 (No. 129). The Office has noted the proposals but in view of the opinion expressed in several replies regarding the length of the Recommendation it has been decided to leave the text unchanged.

I. Definition, purpose and scope

1. Members should define small and medium-sized enterprises by reference to such criteria as may be considered appropriate in accordance with national social and economic conditions, it being understood that this flexibility should not preclude Members from arriving at commonly agreed definitions for data collection and analysis purposes.

Observations on Paragraph 1

Austria. In order to avoid excessive discrepancies between individual countries with regard to the definition of "small and medium-sized enterprises", the minimum number of workers employed at such enterprises should be specified.

Canada. Agreed.

Denmark. FTF, AC and LO: It is important that the definition of SMEs in the individual member States be established in cooperation with the social partners and the Paragraph should be amended accordingly.

Egypt. Delete the words. ". . . it being understood that this flexibility should not preclude Members from arriving at commonly agreed definitions for data collection and analysis purposes", because it is rather difficult to arrive at a generally accepted definition of small and large enterprises. Definitions can be based on a company's size, capitalization, level of technology, volume of production or management structure. They can also be based on other characteristics which differentiate branches of industry, or on a combination of all these criteria. But member States can establish *criteria* for defining small and medium-sized enterprises in accordance with their legislation, for information and analysis purposes.

Estonia. ETUA. In principle the flexible definition is supported. However, for statistical purposes and to allow comparison between countries, there could be a reference to some specific criteria.

Finland. The definition of small and medium-sized enterprises has been left to national authorities. Problems of definition are encountered when statistics are compiled specifically for international comparisons. The proposed Recommendation is quite correctly based on the assumption that these differences in definition are acceptable, although they mean that measures focused on SMEs in different countries involve enterprises of very different sizes. When developing a statistical definition, it would be appropriate to adopt enterprise-size classifications (e.g. those used by Eurostat) that are already in general use.

Jordan. Amman Chamber of Industry. It is necessary to take into account the conditions in various countries when defining small and medium-sized enterprises (as distinct from large enterprises). In view of the fact that definitional concepts vary between developing and developed countries and between small and large countries, definitions can be based on size, specialization, capital or the number of workers employed by the enterprise, in accordance with the data available in each country.

South Africa. BSA. Firstly, there appears to be an omission with regard to micro-enterprises. Secondly, there are, throughout the world, major differences between "small" and "medium-sized" enterprises. The National Small Business Act attempts to define a "small" business more clearly by applying additional criteria such as being "managed by one owner". Another major limitation is the lack of delineation among small (and micro) enterprises between those operators in the "mainstream" economy and those in vulnerable or disadvantaged circumstances. It is not necessarily true that all small or micro businesses are in need of a vast organized spectrum of support services.

Office commentary

As regards the title of Part I, the Office considers that the word "purpose" in the title "Definition, purpose and scope" does not adequately reflect the content of Paragraph 2 or Paragraph 3. The Office is aware that the provisions in question are the result of a compromise and has decided to leave the title unchanged but proposes that the Conference consider alternative wording for the title, such as "Definition, general principles and scope".

With regard to Paragraph 1, virtually all replies which specifically address this Paragraph support the current wording. One reply supports the inclusion of wording to emphasize the importance of tripartite consultation in the process of formulating criteria to define small and medium-sized enterprises. In view of the overall support for the present text and in the interest of brevity, the Office has decided to retain the current text.

2. Members should adopt measures which are appropriate to national conditions and consistent with national practice in order to recognize and to promote the fundamental role that small and medium-sized enterprises can play as regards:

(a) the promotion of full, productive and freely chosen employment;

(b) greater access to income-earning opportunities and wealth creation leading to productive and sustainable employment;

(c) sustainable economic growth and the ability to react flexibly to changes;

(d) increased economic participation of disadvantaged and marginalized groups in society;

(e) increased domestic savings and investment;

(f) training and development of human resources;

(g) balanced regional and local development;

(h) provision of goods and services which are better adapted to local market needs;

(i) access to improved quality of work and working conditions which may contribute to a better quality of life, as well as allow large numbers of people to have access to social protection;

(j) stimulating innovation, entrepreneurship, technology development and research; and

(k) access to domestic and international markets.

Observations on Paragraph 2

Austria (Government and ÖGB). Measures to recognize and promote the fundamental role of small and medium-sized enterprises should include a reference to harmonious worker/employer relations. Therefore add a subparagraph 2 (l) relating to "Good relations between employers and workers".

Canada. Agreed.

Croatia. In clause 2 (i) the words "as well as to allow large numbers of people to have access to social protection" should be deleted because it would be too pretentious to emphasize the role of small and medium-sized enterprises in this area.

Egypt. Agrees, but in 2 (e) "increased domestic savings and" should be deleted and replaced with "encouraging," leaving in 2 (e) "encouraging investment".

Estonia. ETUA. It is proposed that an extra subparagraph 2 (l) could be added concerning "promotion of the right to organize".

Germany. BDA. The content of clause 2 (b) is already covered by clauses 2 (a), (d) and (i) and should be deleted.

Portugal. With regard to the concerns expressed by the CGTP that the entire Paragraph be drafted with greater emphasis on the quality of work and employment rights and focusing on working conditions, access to training and social protection, the Government feels that these aspects are already covered in clauses 2 (a), (f) and (i), although the wording of those clauses could be improved. As for 2 (a), the Government, unlike the CCP, considers that the drafting must make reference to the fact — which became clear during the first discussion — that what is sought is full, productive and freely chosen employment as advocated in Convention No. 122.

CCP. Clause 2 (a) should be broadened to "promoting full employment".

CGTP. Despite the references in clause 2 (i), the language used in this Paragraph should lay greater emphasis on quality of work and employment rights, focusing on working conditions, job security, access to training and the general provision and guarantee of social protection.

Switzerland. Account should be taken of the fact that the aims referred to in the text of the proposed Recommendation are those of any national economic policy, given the importance which SMEs may have in the economy. In Switzerland, for example, where SMEs represent 99 per cent of all enterprises and provide 75 per cent of all jobs, policy relating to SMEs to a very large extent coincides with overall conomic policy.

It is therefore important to ensure that a member State is not required to adopt a specific policy for SMEs when the objectives of its national economic policy already covers such enterprises.

Tunisia. In clause 2 (c) the phrase "to react flexibly" should be replaced with "to adapt", which is better suited to the word "changes".

Office commentary

With regard to clause 2 (i), the Office has deleted the word "to" before the phrase "allow large numbers" for reasons of syntax. This does not affect the meaning of the provision, given that the auxiliary "may" governs the verb "allow".

A number of comments are made proposing specific amendments. The Office believes that most of the suggestions are adequately covered by the existing wording, but has decided to include a reference to "the promotion of good relations between employers and workers" in a new clause (l).

3. In order to promote the fundamental role of small and medium-sized enterprises referred to in paragraph 2, Members should adopt, where appropriate, measures and enforcement mechanisms to safeguard the interests of workers in such enterprises by providing them with the basic protection available under other relevant instruments.

Observations on Paragraph 3

Austria. ÖGB. As this Paragraph indicates, the basic aims of the document should include the provision of safeguards for workers' interests and basic protection.

Czech Republic. It is impossible to agree with the adoption of "enforcement mechanisms". This formulation is not acceptable to the business sphere.

Canada. Agreed.

CLC. The CLC strongly welcomes this Paragraph with its reference to "measures and enforcement mechanisms to safeguard the interests of workers in such enterprises."

Croatia. UATU. UATU particularly welcome this Paragraph, but suggest that the wording "where appropriate" should be deleted.

Denmark. FTF, AC and LO. The FTF, the AC and the LO fully support the inclusion of Paragraph 3, but find that the expression "where appropriate" in the second line should be omitted, as it reduces the importance of the Paragraph.

Egypt. Agreed.

Finland. LTK and TT. Delete Paragraph 3.
SAK, STTK and AKAVA. Paragraph 3 is strongly supported.

Germany. BDA. This paragraph has no bearing on the main objective of the Recommendation and should be deleted; it is not clear what "measures and enforcement mechanisms to safeguard the interests of workers in such enterprises" have to do with stimulating job creation.

Norway. The Government would emphasize the view that workers in small and medium-sized enterprises should enjoy the same rights as workers in other enterprises. However, it believes that the reference in this Paragraph to the protection of workers' interests shifts the focus away from the main objective of the Recommendation, namely, job creation in small and medium-sized enterprises. Part I ("Definition, purpose and scope") should be as unambiguous as possible in this respect, and the main object should not be veiled by reference to other laudable purposes that are covered by other ILO instruments. It therefore suggests that Paragraph 3 be removed from the Recommendation. Workers' interests are, in its view, adequately protected in the Preamble and operative paragraphs.

NHO. Paragraph 3 does not belong in this Part. It should be placed in the Preamble, unless its provisions are already covered there.

LO. With regard to Paragraph 3, the LO emphasizes the need to safeguard the interests of workers in SMEs and it is vital that this be included in the Recommendation's purpose.

Portugal. Although the phrase "where appropriate" inserted in this Paragraph does not affect the need for member States to adopt the measures and enforcement mechanisms in question, the Government would have no objection if it were withdrawn from the text, as advocated by the CGTP. With regard to the opinion of the CCP, the fact that other Paragraphs refer to specific measures to safeguard workers' and entrepreneurial interests does not invalidate this provision for the adoption of "measures and enforcement mechanisms".

CGTP. The phrase "where appropriate" should not be included, given the general recognition that there is a great deal to be done in this field.

CCP. Since the protection that this Paragraph seeks to provide has already been covered in other parts of the Proposed Recommendation, the CCP proposes that it be deleted.

Rwanda. CESTRAR. The Confederation very much welcomes Paragraph 3.

Switzerland. SGB. The SGB believe that the provision of Paragraph 3 is very important and hopes that the Government of Switzerland will do all that it can to prevent any weakening of this wording.

Office commentary

The replies indicate a divergence of opinion, several comments expressing strong support while others indicate that they find inclusion of the provision inappropriate. In view of the fact that the Paragraph was the subject of much debate during the last discussion, the Office has decided to leave the text unchanged.

4. The provisions of this Recommendation apply to all branches of economic activity and all types of enterprise, irrespective of the form of ownership (i.e. private and public companies, cooperatives, partnerships, family enterprises, sole proprietorships and others).

Observations on Paragraph 4

Brazil. The provisions of the Recommendation do not apply to all enterprises, but only to small and medium-sized enterprises. Furthermore, this is the only point in the text in which the conditional is replaced by the present (apply). The text should be adapted to the objective of the instrument as follows: "The provisions of this Recommendation should apply to all branches of economic activity and all types of enterprise, irrespective of the form of ownership (i.e. private and public companies, cooperatives, partnerships, family enterprises, sole proprietorships and others)".

Belgium. The scope of the Recommendation could include a reference to community jobs.

Canada. Agreed.

Cuba. At the end of the Paragraph, among the forms of ownership listed in brackets, the words "and semi-public enterprises" should be inserted after the words "private and public companies".

Egypt. Public sector enterprises should be excluded from the scope of application of this instrument, since they have their own complex regulations, are large in scale and not covered by the definition of SMEs.

Japan. The types of enterprise subject to each measure should be decided by each Member in accordance with the objectives and contents of the measures to be taken, and with prevailing social and economic conditions.

Paragraph 4 should be amended as follows: "The provisions of this Recommendation should be applied by Members, keeping in mind all branches of economic activity and all types of enterprise, irrespective of the form of ownership (i.e. private and public companies, cooperatives, partnerships, family enterprises, sole proprietorships and others), in accordance with the objectives and contents of the measures to be taken by the provisions and with national social and economic conditions".

Office commentary

The current wording has been retained.

II. Policy and legal framework

5. In order to create a business environment conducive to the growth and development of small and medium-sized enterprises, Members should:

(a) adopt and pursue appropriate fiscal, monetary and employment policies to promote a stable economic environment (as regards, in particular, inflation, interest and exchange rates, taxation, employment and social stability);

(b) establish and apply appropriate legal provisions as regards, in particular, property rights, location, enforcement of contracts, and adequate social and labour legislation.

Observations on Paragraph 5

Austria. ÖGB. With regard to clause (b), the move to establish and apply suitable legal provisions, with particular regard to social and labour legislation, is to be welcomed.

Belgium. The concept of healthy competition could be introduced into this Part.

Brazil. The addition of the word "economic" to the term "environment" in clause (a) restricts the scope of the provision, which also relates to measures of a non-economic nature. The Government of Brazil suggests that the previous text should be maintained.

Canada. Agreed.

Croatia. UATU. The UATU particularly welcomes clause (a) according to which the member States should adopt and pursue appropriate fiscal, monetary and employment policies to promote a stable economic environment.

Egypt. Insert the word "stable" in the first line in front of "business environment". 5 (a) and (b) agreed.

Germany. BDA. It should be made clear that governments bear responsibility for establishing an appropriate and stable policy framework; they should not, when creating the basic conditions, intervene in market processes more than is absolutely necessary.

In clause 5 (a) the term "inflation rates" should be dropped in favour of "currency stability". The importance of reliability and long-term stability when setting taxation rates should be made clear. Interest rates and exchange rates, on the other hand, should not be mentioned here, since they are determined by market processes rather than deliberate economic measures.

Portugal. With regard to the comments of the CGTP, the reference in clause (b) to "adequate social and labour legislation" is taken to mean implicit compliance with workers' labour rights and social protection as well as respect for trade union rights.

CGTP. It should be added that any social and labour legislation conducive to creating an environment favourable to SMEs must not call into question workers' labour and social protection rights, their representation in enterprises or respect for their trade union rights.

South Africa. BSA. The fact that small enterprises operate in developing countries means that the existence of basic prerequisites cannot be assumed. Many of the basic economic conditions to enable businesses to flourish are often lacking. The provision of a good infrastructure such as roads, electricity, security, training and education is the responsibility of the State, possibly acting in cooperation with its partners. Governments also have the responsibility of creating a stable macroeconomic environment.

It is of the utmost importance to create an enabling environment through legislation or deregulation. It has been the experience of many countries that labour market

legislation can be detrimental to the establishment or growth of small enterprises. Small vulnerable businesses lack the capacity to compete under a regime of onerous regulating legislation.

Switzerland. Switzerland supports clause (a) which should not be further amended.

Tunisia. The word "business" in the first line should be deleted because it is restrictive. In 5 (b) the expression "social and labour legislation" should be replaced with "social security and labour legislation" because the concept of social legislation is broad and includes both labour and social security.

United States. With regard to clause (b): no objection.

Office commentary

Whilst a number of comments were provided, the overall sense is one of broad agreement with the existing wording. Consequently, the Office has decided to retain the current wording unchanged.

6. The measures referred to in paragraph 5 should be complemented by policies for the promotion of efficient and competitive small and medium-sized enterprises able to provide productive and sustainable employment under adequate social conditions. To this end, Members should consider policies that:

(1) create conditions which:
  (a) provide for all sizes and types of enterprises:
    (i) equal opportunity as regards, in particular, access to credit, foreign exchange and imported inputs; and
    (ii) fair taxation;
  (b) ensure the equal application of labour legislation, in order to raise the quality of employment in small and medium-sized enterprises;
  (c) promote observance by small and medium-sized enterprises of international labour standards related to child labour;
(2) remove constraints to the development and growth of small and medium-sized enterprises, as regards:
  (a) insufficient access to credit;
  (b) low levels of technical and managerial skills;
  (c) inadequate information;
  (d) low levels of productivity and quality;
  (e) insufficient access to markets;
  (f) difficulties of access to new technologies;
  (g) inadequate or overly burdensome registration, licensing, reporting and other administrative requirements, including those which are disincentives to the hiring of personnel, without prejudice to the effectiveness of labour inspection and the system of supervision of working conditions and related issues;
(3) include specific measures aimed at assisting and upgrading the informal sector to become part of the organized sector.

Observations on Paragraph 6

Austria. ÖGB. In clause 6 (2) (g), it should be made clear that national economic requirements such as those relating to the compilation of statistics on economic performance must be met. Cause (g) should be re-drafted accordingly.

Belgium. For the sake of consistency with clause 10 (c), clause 6 (2) (a) should be amended to read as follows: "insufficient access to credit and capital markets".

Canada. Agreed.
CLC. The CLC strongly endorses clauses 6 (1) (b) and 6 (1) (c).

Croatia. In clause 6 (1) (c), the word "promote" should be replaced by "ensure".
UATU. The UATU strongly endorse clauses 6 (1) (b) and 6 (1) (c).

Czech Republic. Czech labour legislation does not distinguish between small, medium-sized and large enterprises, and small and medium-sized enterprises are subject to the same rights and obligations as other employers. In respect of employee insurance for sickness and old age, the current system is the same for all types of enterprises and does not discriminate against employees of small and medium-sized enterprises.

Denmark. FTF, AC and LO. The extension of clause 6 (1) (b) and the inclusion of clause 6 (1) (c) are fully supported as means of safeguarding and promoting the quality of working conditions in SMEs and ensuring that SMEs comply with international standards in the field of child labour.

Regarding clause 6 (2) (g), it is agreed that it may be appropriate to reduce the administrative burden on SMEs, but it is important that such changes are not introduced at the cost of the conditions of employment. This is not fully guaranteed by the present wording of this clause which refers only to ". . . the effectiveness of labour inspection and the system of supervision of working conditions . . .".

Egypt. At the end of the opening Paragraph, replace the sentence: "To this end, Members should consider policies that:" with "Members should formulate policies that:". Agrees to everything else in clauses 6 (1) (a), (b) and (c).

Clauses 6 (2) (a)-(g): agreed.

Subparagraph 6 (3): agreed.

Add new clause: "Member States should set up incubators to provide support and assistance to SMEs, as well as consultancies, training and necessary information."

Estonia. In subparagraph 6 (2) a new clause could be added to refer to low quality workplaces.

ETUA. 6 (1) (c): It is proposed that a reference to the employment of women be added to that of child labour.

Under subparagraph 6 (2) a new clause could be added to refer to low quality workplaces.

Finland. With regard to clause 6 (1) (b), Members are requested to consider equal application of labour legislation in order to raise the quality of employment. It is still not clear where the focus should be — on other SMEs or on larger enterprises or on both? The clause could be more specific in this regard. On the other hand, this Paragraph, as well as subparagraph 7 (3), raises the issue of the criticism of labour legisla-

tion often made by SMEs. Legislation on occupational safety and health (e.g. the EU's skeleton Directive on occupational safety and health) in many countries is already consistently based on the concept of risk. According to this principle, an employer has to assess the risk factors at the workplace and formulate a programme of measures for the purpose of risk management. By so doing, necessary measures will be individually tailored and placed in order of importance at each workplace. Thus, small enterprises are not required to have the same level of knowledge as large enterprises. It would therefore be good to include risk assessment as a concept in the Recommendation and/or in the interpretation of it.

With regard to clause 6 (1) (c), consideration should be given to the possibility of devoting a separate clause to opposition to the use of child labour. Economic factors, for example retardation of innovations and investments at enterprise level, speak against the use of child labour.

With regard to clause 6 (2) (g), in Finland, the occupational safety and health authority has for many years been developing new working methods and approaches suitable for the supervision and counselling of small and medium-sized enterprises. Nowadays, there are several projects, sponsored by the European Social Fund, aiming to improve the operational conditions of SMEs. These projects involve the use of know-how in areas such as occupational safety and health, risk management, quality systems, networking, innovation, and other aspects of SMEs. The aim of such projects is not only to improve working conditions, but also to facilitate the administrative work of SME management. There is, however, inevitably a need for some paperwork, and so forms and documents must be carefully designed so as to reduce the red tape.

Should the content and implementation of the Recommendation promote, at an international level, the standardization of at least the most important documents related to working conditions and product safety, they could in different countries also promote standardization of the basic requirements of legislation. This would be an important means of lowering trade barriers between different countries and hence also of creating jobs in the SME sector all over the world.

LTK and TT. Clause 6 (2) (g) is important. Subparagraph 6 (3) should be deleted.

Federation of Finnish Enterprises. Regarding clause 6 (2) (g): when developing member States' legislation and administrative regulations, attention should be focused especially on this Paragraph.

SAK, STTK and AKAVA. Clauses 6 (1) (b) and 6 (1) (c) are strongly supported.

Germany. Given that the introductory sentence states that small and medium-sized enterprises should provide ". . . employment under adequate social conditions", they should also guarantee the same contractual conditions relating to minimum paid leave, sick pay, etc., that apply in the rest of the economy. The promotion of job creation, which is the declared aim of the Recommendation, should not be achieved by introducing a "second-class" employment contract law for workers in small and medium-sized enterprises (this also applies to the term "adequate working conditions" in subparagraph 7 (3)).

It should also be noted in this context that there is a discrepancy between clauses 6 (1) (b) and 7 (3) (a). According to the former, Members should consider policies that "create conditions which . . . ensure the equal application of labour legislation, in order to raise the quality of employment in small and medium-sized enterprises". Clause 7 (3) (a), on the other hand, states that the Members should, where

appropriate, in consultation with the most representative employers' and workers' organizations, "review labour and social legislation . . . to determine whether such legislation meets the special needs of small and medium-sized enterprises . . .".

This raises the question whether the intention here is to ensure that, with regard to quality of employment, identical conditions and provisions should apply to small, medium-sized and large enterprises, despite the fact that other areas of labour and social legislation are considered and applied in a differentiated way.

BDA. Clause 6 (1) (b) refers to "equal application of labour legislation". However, it may be necessary to permit flexibility and exemptions in the application of labour law in order to offset the disadvantages of scale facing small and medium-sized firms. The clause should therefore be deleted or re-drafted.

The reference to "observance . . . of international labour standards related to child labour" in clause 6 (1) (c) appears to be out of place and should be deleted.

New Zealand. NZCTU. NZCTU especially welcomes the inclusion of clauses 6 (1) (b) and 6 (1) (c), concerning respectively the equal application of labour standards to SMEs and international standards on child labour.

Norway. LO. Clause 6 (1) (c) mentions child labour, but in relatively weak terms. The Recommendation should not merely ask ILO member States to promote observance by SMEs of international labour standards related to child labour, but also to promote observance of the relevant Conventions.

Portugal. With regard to clause 6 (1) (b), the Government does not share the view of the CIP that this provision clashes with provision 7 (3) (a), since it considers that establishing conditions to guarantee equal application of legislation does not invalidate the need for possible adjustments to legislation in response to the specific requirements of small and medium-sized enterprises.

With regard to subparagraph 6 (3), the Government, unlike the CCP, agrees with the provision of specific measures to help promote the informal sector.

CIP. Regarding subparagraph 6 (3), the CIP fully agrees that the informal sector cannot continue as such and must obey the same rules and conditions that apply in the organized sector. However, any specific measures that are adopted to integrate the informal sector into the organized sector must respect the rules of competition, so that those who comply with the law are not penalized for doing so.

The provisions in clauses 6 (1) (b) and 7 (3) (a) seem somewhat contradictory in that equal application of labour legislation appears to be at odds with the aim of adapting to the specific needs of SMEs. No one doubts that there are clearly special features in small and medium-sized enterprises (especially small ones), but the scope of labour legislation, in terms of the fundamental provisions should not depend on the size of an enterprise.

CCP. In subparagraph 6 (3), the terms "organized sector" and "informal sector" are ambiguous and make it hard to implement this provision. In any case, the inherent difficulty here largely exceeds the purpose of this Recommendation and it therefore proposes that 6 (3) be deleted.

CGTP. Clause 6 (1) (b) should include a reference to the fact that equal application of labour legislation also helps guarantee fair competition.

The policies to be drawn up should create conditions conducive to worker participation in enterprises and to their talents' being used to the full in promoting quality, productivity, efficiency and competitiveness.

Regarding subparagraph 6 (2), it is extremely important to add that the removal of the constraint of inadequate or overly burdensome formalities governing recruitment or hiring must not endanger employment stability, foster situations of vulnerability or insecurity, or encourage avoidance of legal obligations.

Rwanda. CESTRAR. CESTRAR very much welcomes clauses 6 (1) (b) and 6 (1) (c).

South Africa. BSA. Access to information and knowledge about running small businesses should be more readily available to the potential entrepreneur. The existing policy frameworks do not really cater to the needs of micro-enterprises.

Another policy issue that requires attention is the link in practice between government initiatives and the constraints imposed by commercial banks. Coordination between these different players is required to provide a base for progress of SMEs.

The ILO document also deals with the upgrading of informal businesses to "first world" standards. Extreme caution is needed here. Many enterprises in Africa manage to exist just because they are not constrained by first world standards and may not be upgradable. The job creation ability of the large informal sector may be harmed by upgrading.

Switzerland. Under point 6 (1) (c) the reference to the observance of labour standards related to child labour seems appropriate; however, the wording should not give the impression that this requirement applies only to SMEs and that other enterprises would be freed of such an obligation.

Tunisia. With regard to clause 6 (1) (a), the aim of providing equal opportunity, in absolute terms, for all sizes and types of enterprises in such areas as access to credit, foreign exchange, imported inputs and taxation, is unrealistic. The policy of a number of countries is to promote certain sectors, activities or geographical areas by means of specific incentives such as tax advantages or credit facilities.

Similarly, the fact that small and medium-sized enterprises vary considerably in terms of size, type of activity and geographical location means that different approaches should be adopted depending upon the sectors and types of enterprises.

United States. With regard to clause 6 (2) (g), the Committee's text is preferred. "Inappropriate" may refer to something very different than "inadequate or overly burdensome." The Committee's text clearly states that the reference is to those requirements "which are disincentives to the hiring of personnel".

Office commentary

The replies raised a number of points with regard to various parts of this paragraph.

Clause 6 (1) (b) was strongly supported by several comments with only one reply expressing concern about its inclusion in its current form. Two comments point out a possible contradiction between clauses 6 (1) (b) and 7 (3) (a) while one specifically disagrees with this view. The views have been noted and the Office has decided to retain the current wording (see the Office commentary to clause 7 (3) (a)).

Clause 6 (1) (c) attracted much comment. Many replies strongly supported its inclusion with some suggesting that it should be further strengthened. One comment also proposes that a reference to the employment of women be included, whilst another

suggests that the clause be deleted on the grounds that it is out of place. The Office has decided to retain the current wording.

Clause 6 (2) (g) was the subject of several comments supporting the wording, although two replies felt that the current wording may not adequately guarantee the protection of working conditions. The latter replies specifically suggested that the text should be strengthened to ensure that the removal of constraints with regard to "inadequate or overly burdensome" requirements would not threaten employment stability, create situations of vulnerability or insecurity, or encourage avoidance of legal obligations. The Office has noted the point, but has decided to retain the current text.

Subparagraph 6 (3) received several comments of support while two proposed its deletion on the grounds of ambiguity and inherent difficulty. The Office has left the text unchanged.

7. With a view to the formulation of such policies Members should, where appropriate:

(1) collect adequate national data on the small and medium-sized enterprise sector, including quantitative and qualitative aspects of employment, while ensuring that this does not result in undue administrative burdens for small and medium-sized enterprises;

(2) undertake a comprehensive review of the impact of existing policies and regulations on small and medium-sized enterprises, with particular attention to the impact of structural adjustment programmes on job creation;

(3) review labour and social legislation, in consultation with the most representative employers' and workers' organizations as well as with the representative organizations of the employers and workers concerned, if they exist, to determine whether:

  (a) such legislation meets the special needs of small and medium-sized enterprises, while ensuring adequate protection and working conditions for their workers;

  (b) there is a need for supplementary measures as regards social protection, such as voluntary schemes, cooperative initiatives and others;

  (c) such social protection extends to workers in small and medium-sized enterprises and there are adequate provisions to ensure compliance with social security regulations.

Observations on Paragraph 7

Austria. With regard to subparagraph 7 (3), consultation should take place only with the most representative employers' and workers' organizations. The phrase "as well as with the representative organizations of the employers and workers concerned, if they exist" should be deleted.

Regarding clause 7 (3) (a), the phrase "adequate protection and working conditions" seems very vague. A distinction should be drawn with large enterprises only if this is necessary to meet the objective special needs of small and medium-sized enterprises.

ÖGB. In subparagraph 7 (3), consultation should take place only with the most representative employers' and workers' organizations and the phrase "as well as with the representative organizations of the employers and workers concerned, if they exist" should be deleted.

The legislation referred to in clause 7 (3) (a) should of course ensure appropriate safeguards and working conditions for workers in small and medium-sized enterprises.

Belgium. CNT. With regard to subaragraph 7 (3), the Council recalls that it stated in Opinion No. 1149 that it could not accept a procedure for determining whether labour legislation meets the special needs of SMEs and their workers "except in so far as this is not used to call into question the application of international labour standards to these enterprises". Moreover, it notes that this subparagraph 7 (3) should be read in the light of the requirements laid down in Paragraph 14.

Brazil. In subparagraph 7 (3), it would be appropriate to establish that in addition to the most representative employers' and workers' organizations, such consultation should also involve employers' and workers' organizations of small and medium-sized enterprises; the phrase "representative organizations of the employers and workers concerned" is rather vague. The Government proposes the following wording: "review labour and social legislation, in consultation with the most representative employers' and workers' organizations as well as with the representative organizations of employers and workers in small and medium-sized enterprises, if they exist, to determine whether:".

Canada. In subparagraph 7 (1), insert the words "for governments or" after the phrase "undue administrative burdens".

In clause 7 (3) (c), include the nine categories set out in the Social Security (Minimum Standards) Convention, 1952 (No. 102), by adding after "compliance with social security regulations" the words "including in such areas as medical care; sickness benefit; unemployment benefit; old-age benefit; employment injury benefit; family benefit; maternity benefit; invalidity benefit; and survivors' benefit".

CLC. In subparagraph 7 (3), the words "as well as with the representative organizations of the employers and workers concerned, if they exist" should be deleted. This language could provide certain governments with a pretext for bypassing established trade unions and engaging in talks with illegitimate or employer-dominated organizations.

The CLC welcomes the reference, in clause 7 (3) (c), to compliance with social security regulations. Following the phrase "compliance with social security regulations", the nine categories set out in the Social Security (Minimum Standards) Convention, 1952 (No. 102), should be listed thus: ". . . including in such areas as medical care; sickness benefit; unemployment benefit; old-age benefit; employment injury benefit; family benefit; maternity benefit; invalidity benefit; and survivors' benefit."

Croatia. UATU. With regard to clause 7 (3) (c), the UATU proposes the addition of the following wording: "including in such areas as medical care; sickness benefit; unemployment benefit; old-age benefit; employment injury benefit; family benefit; maternity benefit; invalidity benefit; and survivors' benefit."

Czech Republic. ČMKOS. In subparagraph 7 (3), delete the words ". . . as well as with the most representative organizations of the employers and workers concerned, if they exist".

In clause 7 (3) (c), add at the end of the sentence the words "in such areas as medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit."

Denmark. FTF, AC and LO. Clause 7 (3) (c) is supported, but should contain examples of social security. The nine categories used in the Social Security (Minimum Standards) Convention, 1952 (No. 102), are proposed: medical care; sickness benefit; unemployment benefit; old-age benefit; employment injury benefit; family benefit; maternity benefit; invalidity benefit; and survivors' benefit.

Egypt. Since the collection of data on SMEs is important, this should be done through mechanisms which encourage such enterprises to participate and provide the information required.

Subparagraphs 7 (1). and 7 (2): Agreed.

Subparagraph 7 (3) should read as follows: "review labour and social legislation, in consultation with the most representative employers' and workers' organizations, as well as other parties concerned, to determine whether:"

Clauses 7 (3) (a)-(c): Agreed.

Finland. With regard to clause 7 (3) (b), in countries where social protection in connection with employment relationships is particularly good, the limited social protection enjoyed by entrepreneurs in relation to that given to employees constitutes an obstacle to the promotion of SME entrepreneurship. The relative risks of entrepreneurship are considerable. When dealing with decisions relating to the social protection of entrepreneurs, entrepreneurs' organizations should also be involved.

LTK and TT. Delete clause 7 (3) (b).

SAK, STTK and AKAVA. In subparagraph 7 (3), the phrase "as well as with the representative organizations of the employers and workers concerned, if they exist" should be deleted.

Clause 7 (3) (c) is strongly supported, but the following should be added: "including such areas as medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, and survivor's benefit."

Germany. It makes essentially no difference to workers, from the point of view of their inclusion in the social protection system, whether they are employed by small, medium-sized or large enterprises. For employers, there is the possibility of voluntary insurance under the statutory pension fund or, under certain conditions, compulsory insurance. It is for the employer to decide whether or not there should be an additional company scheme. When considering legislation, the Federal Government is always concerned to keep the burden of administrative costs as low as possible, especially for small and medium-sized enterprises, without impeding supervision of compliance with social protection legislation (see also comments on Paragraph 6).

With regard to clause 7 (3) (a), see comments on Paragraph 6.

In the light of comments made in the General Observations, it is proposed that a clause (d) should be added to subparagraph 7 (3), as follows: "(d) the active labour market policies could be supplemented with specific measures aimed at helping the unemployed to establish enterprises".

BDA. Clauses 7 (3) (b) and 7 (3) (c) should be deleted since they have no bearing on the subject of the Recommendation, and indeed seem likely to impede the creation of jobs in small and medium-sized firms.

Jordan. Amman Chamber of Commerce. The Chamber considers it important that the Recommendation should provide for owners and workers of SMEs to affiliate to existing social security schemes in their own countries.

Norway. LO. In subparagraph 7 (3), the reference should be only to "the most representative employers' and workers' organizations". The reference to "the representative organizations of the employers and workers concerned" should be deleted.

Clause 7 (3) (c) calls on member countries to determine whether social protection for workers in SMEs is adequate. LO suggests that this provision should be extended to incorporate, for example, the following: "health insurance and other insurance, pension schemes, health checks and sickness benefit.".

Rwanda. CESTRAR. In subparagraph 7 (3), it is suggested that the words "as well as with the representative organizations of the employers and workers concerned, if they exist" should be deleted.

In clause 7 (3) (c), the reference to compliance by SMEs with social security regulations is welcomed. CESTRAR proposes adding various examples based on the nine categories stipulated in the Social Security (Minimum Standards) Convention, 1952 (No. 102), as follows: "in particular in areas such as medical care, sickness benefit, unemployment benefit, old-age benefit, benefits in the event of occupational accidents and diseases, family benefit, maternity benefit, invalidity benefit and survivors' benefit".

Switzerland. SGB. The deletion is suggested, in subparagraph 7 (3), of the wording "as well as with the representative organizations of the employers and workers concerned, if they exist". Some governments could use this to bypass established trade unions (and employers' associations) and engage in negotiations with organizations which are not legitimate or which are dominated by employers or governments.

In particular, the reference to social protection, in clause 7 (3) (c), is welcomed. The SGB proposes a broadening of the text to list various examples of social security, namely the nine categories contained in ILO Convention No. 102 (medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit).

Tunisia. With regard to subparagraph 7 (3), the expression "labour and social legislation" should be replaced with "social security and labour legislation" because the concept of social legislation is a broad one and covers both labour issues and social security (see also similar comments on clause 5 (b)).

In subparagraph 7 (2), the phrase "job creation" should be replaced with the phrase "the level of jobs", which would cover both job creation and the reduction of jobs.

United States. With regard to clause 7 (3) (c), the Committee's text is preferred. While the Paragraph begins with the "formulation" of policies, subparagraph 7 (3) is discussing the "review" process in anticipation of the framing of such policies and could very well include consideration of issues related to implementation.

Office commentary

In subparagraph 7 (1), the word "including" before the phrase "quantitative and qualitative" has been replaced by the Office with the phrase "covering inter alia" for linguistic reasons. Several suggestions for specific amendments received particular attention.

For example, several comments focus on the wording of subparagraph 7 (3). Some comments suggest that the words "as well as with the representative organizations of the employers and workers concerned, if they exist," should be deleted, while others suggest replacement with the words "as well as with the representative organizations of employers and workers in small and medium-sized enterprises, if they exist," or "as well as with other parties concerned". The Office has decided to retain the current text.

With regard to clause 7 (3) (a), the Office has noted that the provision is open to varying interpretations and possibly contradicts clause 6 (1) (b) and Paragraph 14. The Office considers that it may be necessary to clarify what is actually meant by the provision contained in clause 7 (3) (a), but has decided not to modify the text. The Committee may wish to consider alternative wording such as:

"(3) . . . whether:

(a) such legislation meets the special needs of small and medium-sized enterprises;

(b) any special provisions geared to such needs at least ensure adequate protection of working conditions for the workers in such enterprises."

Clause 7 (3) (c) was widely supported, although some of the comments proposed an expanded text making direct reference to the nine categories of social security benefits included in the Social Security (Minimum Standards) Convention, 1952 (No. 102). These are: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit, and survivors' benefit. The Office has noted the point but decided to leave the text unchanged.

One reply suggests the inclusion of a new clause 7 (3) (d) concerning the formulation of active labour market policies to assist the unemployed establish new enterprises. The Office has decided not to include such a clause before the outcome of the forthcoming discussions is known.

8. In formulating these policies, Members:

(1) may consult, in addition to the most representative employers' and workers' organizations referred to in subparagraph 7 (3) above, other concerned and competent parties as they deem appropriate;

(2) should take into account other policies in such areas as fiscal and monetary matters, trade and industry, employment, labour, social protection, gender equality and occupational safety and health;

(3) should establish mechanisms to review these policies, in consultation with the most representative employers' and workers' organizations, and to update them.

Observations on Paragraph 8

Brazil. In subparagraph 8 (3), the previous text, i.e. "examine" rather than "review", is preferred.

Canada. Agreed.

Denmark. FTF, AC and LO. Subparagraph 8 (1) mentions that other organizations may be consulted in connection with the formulation of policies concerning SMEs. This should only be the case in fields where the social partners do not have exclusive competence.

Egypt. Subparagraphs 8 (1)-(3): Agreed.

Norway. This Paragraph points to a number of policy areas which should be considered when formulating an appropriate policy on SMEs. The list is probably intended to suggest particularly important areas for consideration. Since a list of key areas would differ from country to country it would not be possible to draw up a complete list.

There is, however, one policy area crucial to Norwegian business policy and of major significance for SMEs which is absent here and which in the Government's view should be referred to explicitly. Special reference should be made to the policy area "educational policies and further improvements in the quality of human resources". This could for example be included in subparagraph 8 (2) after "social protection", or at the very end of the sentence.

While many would see this policy area as a natural element of business policy, educational policy also has many other aspects, and in most countries is organized in a separate ministry. It is important that the needs of the business sector, and not least small and medium-sized enterprises, which face a major challenge in enlisting and utilizing human skills, are catered for throughout the educational system. This policy area should be mentioned explicitly. While the human resource development aspect is in general well taken care of in this Recommendation, this policy area merits particular attention when formulating policy on small and medium-sized enterprises.

Office commentary

In subparagraph 8 (1), the Office has decided to delete the phrase "referred to in subparagraph 7 (3) above" since it is felt to be an unnecessary qualification of the phrase "the most representative employers' and workers' organizations".

A proposal to include in subparagraph 8 (2) a reference to education and training policies in addition to the policy areas already mentioned seems to the Office to be appropriate and the text has been amended accordingly.

III. Development of an enterprise culture

9. Members should adopt measures, drawn up in consultation with the most representative employers' and workers' organizations, to create and strengthen an enterprise culture which favours initiatives, enterprise creation, productivity, environmental consciousness, quality, good labour and industrial relations, and adequate social practices which are equitable. To this end, Members should consider:

(1) pursuing the development of entrepreneurial attitudes, through the system and programmes of education and training linked to job needs and the attainment of economic

growth and development, with particular emphasis being given to the importance of good labour relations and the multiple vocational and managerial skills needed by small and medium-sized enterprises;

(2) encouraging a process of lifelong learning for all categories of workers and entrepreneurs;

(3) designing and implementing, with full involvement of the organizations of employers and workers concerned, awareness campaigns to promote:

(a) respect for the rule of law and workers' rights, better working conditions, higher productivity and improved quality of goods and services;

(b) entrepreneurial role models and award schemes, taking due account of the specific needs of women, and of disadvantaged and marginalized groups.

Observations on Paragraph 9

Belgium. The wording of Paragraph 9 is not very clear. It omits some elements and is therefore incomplete, lacks credibility and suffers from some redundancy. Part III could thus be amended as follows:

Change the heading to the following: "III. Development of a culture favourable to entrepreneurs".

Rewrite the text thus:

"9. In order to favour enterprise creation, Members should promote a culture favourable to entrepreneurs. This includes initiative, individual responsibility, readiness to innovate, concern for quality, reinvestment of profits, motivation, the ability to mobilize resources, and a sense of good labour relations and adequate and equitable social practices. Members should ensure that the culture favourable to entrepreneurs respects the law in general, and provisions concerning workers' rights and the environment in particular. To this end, Members should consider recourse:

(1) in consultation with the most representative employers' and workers' organizations:

(a) to systems and programmes of education and training linked to job needs and the attainment of economic growth and providing the persons concerned with the various vocational and managerial skills needed by small and medium-sized enterprises;

(b) to the making of continuous training available to all categories of workers and entrepreneurs.

(2) with the full involvement of the employers' and workers' organizations concerned:

(a) to awareness campaigns aimed at improving productivity, conditions of work and the quality of goods and services;

(b) to promoting entrepreneurial role models and award schemes, taking due account, inter alia, of the specific needs of women, and of disadvantaged and marginalized groups."

Brazil. In clause 9 (3) (b), it is more appropriate to speak of entrepreneurial role models than model because of the variety of small and medium-sized enterprises and because of the conditions in which they are created and developed.

Canada. In clause 9 (3) (b), after the phrase "disadvantaged and marginalized groups", it would be useful to add a list of examples.

Croatia. In Paragraph 9 it is not sufficiently clear that the measures are undertaken in order to stimulate the development of small and medium-sized enterprises, which

are mentioned only in subparagraph 1). Therefore the following words should be added at the beginning of the first line of Paragraph 9: "In order to promote the role of small and medium-sized enterprises".

Egypt. The following Paragraph should be added: "Each member should provide training to workers in SMEs on overall quality control management, as well as matters related to international specifications of products, services, precision and measurement standards, with the involvement of employers' and workers' organizations."

Estonia. Government, ETUA. In order to promote an entrepreneurial culture, it is considered useful to mention the principles of relations between employers and workers in an undertaking, based on the provision of information to, and consultation with, workers.

Finland. The primary purpose of Finland's project "Entrepreneurial Decade, 1995-2005" is to promote entrepreneurship. Report recommendations complying with this purpose are to be endorsed. Also, the promotion of sole entrepreneurship as a form of self-employment is important.

LTK and TT. In subparagraph 9 (), "pursuing the development of entrepreneurial attitudes" is important.

Germany. BDA. A separate section entitled "Development of an enterprise culture" seems unnecessary. It would be sufficient to include a suitable passage under Part II (Policy and legal framework) to the effect that an enterprise culture is part of the overall culture within which it is the duty of the family, the education system and media to pass on universally recognized values.

Norway. LO. The Paragraphs on enterprise culture are acceptable.

Portugal. The proposal in subparagraph 9 (2) for "encouraging a process of lifelong learning for all categories of workers and entrepreneurs" is extremely onerous and demanding in practice. However, the earlier wording used in this Paragraph "Members should consider" makes it possible to accept this point, provided that this same wording is used in the final version.

CGTP. A healthy enterprise culture must also promote proper value being placed on jobs, and on secure, quality employment and attendant rights, together with workers' participation, involvement and motivation.

Rwanda. CESTRAR. This section is very welcome.

South Africa. BSA. The fostering of an entrepreneurial climate in South Africa is desperately needed. The ownership by individuals of their own businesses should be promoted.

Spain. In subparagraph 9 (2), after the words "lifelong learning", the following words should be added: "to maintain employability". This reflects better the present content of lifelong training and is consistent with the terms used by the EU and the OECD.

In clause 9 (3) (b), "disadvantaged and marginalized groups" should be replaced by "young persons and other groups facing exclusion and permanent poverty".

United States. No objection.

Office commentary

In view of the generally positive nature of the comments, the Office has decided to leave the text unchanged.

IV. Development of an effective service infrastructure

10. In order to enhance the growth, job-creation potential and competitiveness of small and medium-sized enterprises, consideration should be given to a range of direct and indirect support services for them, to include:

(a) managerial and vocational skills enhancement;

(b) consultancy and research services;

(c) access to capital markets, credit and loan guarantees;

(d) quality testing and measurement;

(e) market research and marketing assistance;

(f) packaging services;

(g) assistance in product design, development and presentation;

(h) business start-up and development assistance, including business planning;

(i) information services, including advice on government policies;

(j) assistance in understanding and applying labour legislation, including provisions on workers' rights, as well as in human resources development and the promotion of gender equality;

(k) export promotion and domestic and international trade opportunities;

(l) advice regarding technology;

(m) access to energy, telecommunications, and physical infrastructure such as water, electricity, premises, transportation and roads, provided directly or through private sector intermediaries;

(n) support for innovation and modernization;

(o) legal, accounting and financial services;

(p) business incubators;

(q) computer systems application and information technology services;

(r) environmental management services.

Observations on Paragraph 10

Belgium. Presumably, the aim is to encourage the development of a business plan before starting up an enterprise. As regards the development phase, it would be useful to specify how Members can help SMEs. Clause (h) should therefore be amended to read as follows: "business start-up assistance, including business planning, and guidance on development;". In addition, at the next session of the Conference, an amendment could be envisaged which would emphasize the positive role that a representative organization for SMEs could play.

CNT. The Council notes that this Paragraph concerns the provision to SMEs of a range of direct and indirect support services in a number of areas, which are listed. It

considers that, given the importance of occupational health and safety training and education, which in Opinion No. 1149 it recommended adding to the proposed list, these aspects should be included in the proposed Recommendation.

In addition, this Paragraph should be supplemented as follows: add to clause (j) an explicit reference to child labour, since this issue is expressly mentioned in the Preamble. Also, at the end of Paragraph 10, the following sentence should be added: "Where institutions already exist, new ones do not need to be established."

Brazil. In subparagraph 10 (k), the Government proposes the following modification to the text: "promotion of export and trade opportunities in both the domestic and international markets."

Canada. The Government suggests adding the following clauses to Paragraph 10:

(s) business plan development and follow-up;

(t) development of "one stop" business service centres;

(u) measurement of economic impact;

(v) assistance in upgrading the literacy, numeracy, computer competencies and basic educational levels of managers and employees who voluntarily participate in programmes provided directly or through private sector and NGO intermediaries;

(w) promotion and development of enterprise-based learning cultures, tailored to the specific circumstances of individual SMEs, and encouraging the achievement and maintenance of updated skills widely held to be needed for effective performance in completing determined tasks.

Egypt. Clauses 10 (a)-10 (r): Agreed.

Finland. The enhancement of preconditions for cooperation between SMEs and between SMEs and other enterprises is important for SME competitiveness and hence employment conditions.

SAK, STTK and AKAVA. This could serve as a check-list for governments, but a more logical structure should be considered.

Germany. BDA. The first part of this Paragraph should be re-drafted along the following lines to make allowance for the particular problems facing individual countries: "In order to enhance the growth . . ., consideration should be given to a range of direct and indirect support services for them, possibly including : . .".

Portugal. Unlike the CCP, the Government agrees with the provision of clause 10 (j) which it considers equally important for strengthening small and medium-sized enterprises.

CCP. With regard to clause 10 (j), there is no point in including in this Part a clause relating to workers' rights which are already adequately covered elsewhere in the Recommendation. It is therefore proposed that this clause be deleted.

CGTP. Support services to SMEs must also provide workers with access to continuous training and provide employers with access to entrepreneurial training.

South Africa. BSA. Clarity with regard to the appropriate role of the State in the areas listed here is very important. Too much or too little government intervention could stifle the growth of small enterprises. It is important for the social partners to find

the most appropriate balance. The creation of efficient markets in a competitive environment is of vital importance.

Spain. With regard to clause 10 (j), the phrase: "as well as in human resources development" should be moved to the end of the clause, to follow "the promotion of gender equality". This makes the text more coherent as it groups together the issues relating to rights and clearly separates them from considerations of efficiency.

United States. The Committee's text is preferred. The "availability" of such services is a different consideration than simply their existence. There is no objection to clause 10 (j).

Office commentary

On the basis of the comments made, the first sentence has been redrafted to include the words "the availability of" after the words "consideration should be given to".

Several comments suggest the inclusion of a number of additional support services. In the view of the Office, most of these were already covered by the existing text of Paragraphs 10 and 11. It was decided, however, to add a new clause(s) to read "promotion and development of enterprise-based training".

Several comments refer to the fact that the list need not be thought of as exclusive and that other services could be considered. The Office has therefore decided to replace the words "to include" with the words "such as" in the opening sentence of the paragraph.

11. As far as possible, the support services referred to in Paragraph 10 should be designed and provided to ensure optimum relevance and efficiency through such means as:

(a) adapting the specific services and their delivery to the prevailing economic, social and cultural conditions;

(b) ensuring strong involvement of small and medium-sized enterprises and the most representative employers' and workers' organizations in the determination of services to be offered;

(c) involving the public and private sector in the delivery of such services through, for example, employers' and workers' organizations, semi-public organizations, private consultants and small and medium-sized enterprises themselves;

(d) decentralizing the delivery of services, thereby bringing them as physically close to small and medium-sized enterprises as possible;

(e) providing services tailored to the needs of small and medium-sized enterprises, taking into account their differences in terms of size, sector and stage of development;

(f) promoting easy access to an integrated range of services through "single window" arrangements or referral services;

(g) aiming towards self-sustainability for service providers through a reasonable degree of cost recovery from small and medium-sized enterprises and other sources, in such a manner as to avoid distorting the markets for such services;

(h) ensuring professionalism and accountability in the management of service delivery;

(i) establishing mechanisms for continuous monitoring, evaluation and updating of services.

Observations on Paragraph 11

Belgium. CNT. With regard to clause 11 (b), the Council points out (as it did in Opinion No. 1149) that in Belgium a whole range of private and public sector operators, at both regional and federal levels, provide assistance to SMEs.

With regard to clause 11 (f), the following phrase should be added: "provided that this is not done so as to avoid simplifying administration and making it more accessible".

Brazil. With regard to clauses 11 (a) and 11 (e), the Government does not see any difference in content. Both refer to the need for services to be adapted to the different conditions experienced by small and medium-sized enterprises. Perhaps they could be merged into a single provision, along the following lines: "providing services tailored to the specific needs of small and medium-sized enterprises, taking into account both their economic, social and cultural differences as well as their differences in terms of size, sector and stage of development;".

Canada. Agreed.

Egypt. Clauses 11 (a)-11 (i): Agreed.

Germany. BDA. For reasons indicated in the BDA's comments on Paragraph 10, specific recommendations on implementation appear unnecessary. At the very least, the first clause of Paragraph 11 should be re-worded to allow greater flexibility, for example along the following lines: ". . . the support services referred to in Paragraph 10 should be designed and provided to ensure optimum relevance and efficiency. This could be done by, for example:".

Jordan. Amman Chamber of Industry. The Board of the Amman Chamber of Industry has established a special department responsible for providing services to SMEs. This decision was communicated to the ILO, which was asked to provide technical assistance.

Portugal. With regard to clause(f), since the purpose of this clause is the one-stop or "single window" policy brought in only this year in Portugal (and therefore available only in Lisbon and Porto), there are no special difficulties in accepting it. With regard to clause (g), the explanation of the text introduced by the ILO with regard to the wording "avoid distorting the markets for such services" seems perfectly appropriate, given the central idea defended throughout the debate.

Spain. In clause (c), insert "technology parks and business incubators" before the terms "and small and medium-sized enterprises themselves".

In clause (d), insert at the end of the clause "in order to encourage local employment initiatives, local development and industrial estates".

United States. The Committee's text is preferred. This Paragraph is qualified by the phrase "As far as possible." The implication of "highest degree" is that support services less than "optimal" may nevertheless be quite helpful to SMEs in a variety of country circumstances.

With regard to clause (g), the Committee's text is preferred. This simplification destroys an essential element in the original text, namely, that the objective of an effective SME service infrastructure is to "enhance the employment creation potential of SMEs and the functioning of markets."

Office commentary

On the basis of the suggestions made, the Office has decided to introduce a number of changes.

Clauses (a) and (e) have been combined into a new clause (a) to read as follows: "adapting the services and their delivery to the specific needs of small and medium-sized enterprises, taking into account prevailing economic, social and cultural conditions, as well as differences in terms of size, sector and stage of development". The lettering of the remaining clauses has been adjusted accordingly, (b) to (h).

With regard to clause (b), the word "strong" has been replaced by the word "active" in order to align the English more closely with the French text.

The words "technology parks, business incubators" have been added in clause (c) after the words "private consultants".

12. Services should be designed to include productivity-enhancing and other approaches which promote efficiency and help small and medium-sized enterprises to sustain competitiveness in domestic and international markets, while at the same time improving labour practices and working conditions.

Observations on Paragraph 12

Austria. This Paragraph should also emphasize that productivity-enhancing and efficiency-promoting measures should not result in job losses.

ÖGB. It is important to indicate that the measures referred to in this Paragraph must not result in job losses.

Canada. Agreed.

Egypt. Agreed.

Germany. BDA. This Paragraph should be deleted since it adds nothing to the provisions of the preceding Paragraphs.

United States. No objection.

Office commentary

In view of the small number of proposed amendments, the Office has retained the existing wording.

13. Members should facilitate access of small and medium-sized enterprises to finance and credit under satisfactory conditions. In this connection:

(1) credit and other financial services should as far as possible be provided on commercial terms to ensure their sustainability, except in the case of particularly vulnerable groups of entrepreneurs;

(2) supplementary measures should be taken to simplify administrative procedures, reduce transaction costs and overcome problems related to inadequate collateral by, for example, the creation of non-governmental financial retail agencies and development finance institutions addressing poverty alleviation;

(3) small and medium-sized enterprises may be encouraged to organize in mutual guarantee associations.

Observations on Paragraph 13

Canada. In the opening sentence of Paragraph 13, insert after the words "satisfactory conditions" the phrase "and primarily through private sector providers".

Egypt. Subparagraphs 13 (1)-13 (3): Agreed.

Germany. BDA. It should be made clearer that only compensation for specific disadvantages of scale is permissible. Subparagraph 13 (1) could be misinterpreted as providing a "back door" for new subsidies and should therefore be re-worded.

Portugal. In subparagraph 13 (2), with regard to overcoming SME's difficulties in terms of inadequate collateral, a great deal of weight is now attached to development and finance institutions addressing poverty alleviation. It should be noted that Portugal has no institution of this type and the same must be true of other countries. However, there are no objections to the reference made to such institutions because the text offers them as examples that could be followed by States.

United States. Subparagraph 13 (1): No objection.
Subparagraph 13 (2): No objection.

Office commentary

In view of the generally supportive comments made, the Office has decided to retain the present text.

14. Members should consider policies to improve the terms and conditions of employment in small and medium-sized enterprises by ensuring equal application of protective labour legislation.

Observations on Paragraph 14

Austria. There appears to be a discrepancy between this Paragraph and clause 7 (3) (a). It should therefore be made clear in clause 7 (3) (a) that the protective labour legislation referred to in Paragraph 14 is not subject to the review referred to in subparagraph 7 (3), since, according to Paragraph 14, that protective labour legislation must be applied equally, irrespective of the size of the enterprise.

Canada. Add to the end of the Paragraph the words "including in such areas as protection against dismissal, overtime compensation, adherence to safety regulations and non-discrimination (requiring positive action measures to achieve equal opportunities in employment, income, working conditions and education and training)".

CLC. The CLC welcomes Paragraph 14 and proposes to add the following examples to the end of the Paragraph: "including in such areas as protection against dismissal, overtime compensation, adherence to safety regulations and non-discrimination (requiring positive action measures to achieve equal opportunities in employment, income, working conditions and education and training)".

Croatia. The wording of this Paragraph seems to be inappropriate. Either it should be deleted, the same matter being covered by the provision of clause 2 (i), or the words "should consider policies" should be replaced with the words "should take measures, if necessary".

UATU. The UATU strongly welcomes Paragraph 14, which recommends equal application of protective labour legislation for those employed in small and medium-sized companies, but also suggests that the following examples should be added to the end of the Paragraph: "including in such areas as protection against dismissal, overtime compensation, adherence to safety regulations and non-discrimination (requiring positive action measures to achieve equal opportunities in employment, income, working conditions and education and training)".

Czech Republic. ČMKOS. To the end of Paragraph 14 add: "including in such areas as protection against dismissal, overtime compensation, adherence to safety regulations and non-discrimination (requiring positive action measures to achieve equal opportunities in employment, income, working condition, and education and training)".

Denmark. FTF, AC and LO. The inclusion of Paragraph 14 is fully supported, but at the end of the Paragraph the following should be added: ". . . including in such areas as protection against dismissal, overtime compensation, adherence to safety regulations and non-discrimination (requiring positive action measures to achieve equal opportunities in employment, income, working conditions and education and training").

Egypt. Agreed.

Finland. SAK, STTK and AKAVA. This Paragraph is strongly supported. The following should be added: "including in such areas as protection against dismissal, overtime compensation, adherence to safety regulations and non-discrimination (requiring positive action measures to achieve equal opportunities in employment, income, working conditions, and education and training)".

Germany. In the light of Germany's statement under the General observations, it is proposed that the following clause should be added at the end: ". . . and in particular the placement of unemployed people in newly founded enterprises using appropriate means".

BDA. This Paragraph completely misses the point of the Recommendation ("to stimulate job creation in small and medium-sized enterprises") and should be deleted or re-worded along the lines suggested earlier for clause 6 (1) (b).

New Zealand. NZCTU. The NZCTU especially welcomes Paragraph 14, but believes that it should be made more explicit by adding references to matters that are intended to be covered, such as protection against unjustified dismissal, compensation for overtime, adherence to safety regulations and the requirement for positive steps to be taken to achieve equal opportunities in employment, income, education, training and conditions of employment.

Norway. LO. The positive nature of Paragraph 14 is particularly emphasized because it calls on member countries to improve terms and conditions of employment in SMEs. However, the Paragraph should be supplemented with examples, and the following addition is suggested: "including protection against dismissal, overtime pay and protection against discrimination with a view to ensuring equal rights in regard to employment, income, employment conditions, education and competence-building."

Portugal. With regard to Paragraph 14, see the comments of the CGTP below.

CGTP. This point could be further developed, in the sense that the policies adopted need not be confined to job creation but can also relate to quality, aspects of working conditions and social protection. These policies should facilitate workers' access to continuous training, encourage workers' representation in SMEs and their active participation, so as to ensure quality and enhance production processes.

Rwanda. CESTRAR. The content of Paragraph 14 is very much welcomed. Furthermore, the addition of the following examples is proposed, at the end of the Paragraph: "in particular in areas such as protection against dismissal, overtime compensation, adherence to regulations in respect of safety and non-discrimination (requiring affirmative action measures to achieve equal opportunity in employment, remuneration, working conditions, education and training)".

Switzerland. SGB. The wording should be broadened by the inclusion of examples. It might read as follows: "Members should . . . labour legislation, including in the sphere of protection against dismissal, compensation for overtime, compliance with safety regulations and non-discrimination (with positive action measures to establish equal opportunity in employment, remuneration, working conditions and as regards training and education)."

Office commentary

It appears to the Office that the provisions included under Paragraph 14 may possibly fit better under Part II — Policy and legal framework. The Office has, however, decided to leave the text unchanged subject to the outcome of the forthcoming discussion. See also the Office commentaries on clauses 6 (1) (b) and 7 (3) (a).

Several comments have been made suggesting additions or amendments to this paragraph including, in particular, the suggestion that the text should be expanded to contain reference to the specific areas of protective labour legislation intended to be covered, including protection against dismissal, overtime compensation, adherence to safety regulations and non-discrimination. The Office has noted this point but decided in the interests of brevity to retain the existing text so that any redrafting, if required, may benefit from the outcome of the forthcoming discussion.

15. Members should, in addition:

(1) facilitate the development of organizations, where appropriate, which can effectively support the growth and competitiveness of small and medium-sized enterprises. In this regard, consultation with the most representative employers' and workers' organizations should be considered;

(2) consider adequate measures to promote cooperative linkages between small and medium-sized enterprises and larger enterprises. In this connection, measures should be taken to safeguard the legitimate interests of the small and medium-sized enterprises concerned;

(3) consider measures to promote linkages between small and medium-sized enterprises to encourage the exchange of experience as well as the sharing of resources and risks. In this connection, small and medium-sized enterprises might be encouraged to form structures such as consortia, networks and service cooperatives, taking into account the importance of the role of employers' and workers' organizations;

(4) consider specific measures for persons aspiring to become entrepreneurs among selected categories of the population, such as: women, long-term unemployed, persons affected by structural adjustment or restrictive and discriminatory practices, disabled persons, demobilized military personnel, young persons including graduates, older workers with appropriate experience, ethnic minorities and indigenous and tribal peoples. The detailed identification of these categories should be carried out, taking into account national socio-economic priorities and circumstances;

(5) consider measures to improve communication between government agencies and organizations of small and medium-sized enterprises which lack specialized support staff, in order to facilitate understanding of government policies aimed at job creation;

(6) encourage support for female entrepreneurship, recognizing the growing importance of women in the economy, through measures designed specifically for women who are either entrepreneurs or wish to become entrepreneurs.

Observations on Paragraph 15

Belgium. CNT. The following should be added to subparagraph 15 (2): "and of the workers they employ, irrespective of the way in which they cooperate with larger enterprises.".

With regard to subparagraph 15 (4), training should be included among the specific measures. Also, the following should be added at the end: "provided that this shall not jeopardize the viability of the enterprise".

Brazil. In subparagraph 15 (4), it does not seem reasonable to apply the condition "with appropriate experience" exclusively to older workers and not to any other category of persons. The words "with appropriate experience" should be deleted.

With regard to subparagraph 15 (5), measures to "improve communication between government agencies and organizations of small and medium-sized enterprises . . ., in order to facilitate understanding of government policies aimed at job creation" should be sought in any situation, irrespective of whether or not such enterprises have specialized staff. It is therefore suggested that the phrase "which lack specialized support staff" should be deleted to broaden the scope of the measure.

Canada. Many countries are actively using a synergy strategy to encourage the formation of local clusters of firms, including SMEs, to help accelerate growth. The ILO should study and support cluster formation and growth activity by large and small firms. There are four key elements of successful clusters that should be studied and emulated:

— *Core Firms*, often one or more large firms, and a group of significant smaller firms;
— *Support Firms*, including supplier firms, technical firms, and speciality service firms;

— *Institutional and Social Infrastructure*, such as polytechnic institutes and universities, technology transfer centres, sectoral technical centres, centres of excellence, innovation centres, quality management centres, productivity improvement centres, sub-contractor registries, local chambers of commerce, export development centres, regional economic development commissions, etc.; and,
— *Physical Infrastructure*, such as roads, airports, ports, intermodal transfer facilities, express customs services, electronic highways, weather forecasting systems, etc.

Additional elements of successful clusters that should be encouraged are:

— a high level of informal and formal connectivity between all four elements, including flexible business networks and strategic alliances including SMEs; and
— the formation of all forms of virtual organizations and particularly integrated value-added processes, including SMEs in supplier chains and service networks.

All of this cluster activity is important for SMEs to: build, share and leverage knowledge; innovate and apply innovation; create and deploy technology; attract investment; become more productive; enter expert markets; become competitive and sustain competitive advantage nationally and internationally; grow and create jobs and wealth. All of these aspects benefit workers, employers and the national economy.

In subparagraph 15 (5), restore the phrase "improve the effectiveness of" that was replaced with "facilitate understanding of".

Canadian Federation of Independent Business. In subparagraph 15 (5), restore the phrase: "improve the effectiveness of" that was replaced with "facilitate understanding of".

Croatia. In Paragraph 15 (4), in the second line, women are again referred to as if they do not belong to other categories. Therefore the word "women" should be deleted and in the second sentence, the words "taking into account" should be followed by "the needs of women within these categories and . . .".

Denmark. In general, Denmark considers it essential to collect data about different groups' opportunities and obstacles for starting businesses. However, Denmark does not support the reference to specific groups in subparagraph 15 (4).

Egypt. Subparagraphs 15 (1)-15 (6): Agreed.

Finland. In subparagraph 15 (4) it seems illogical to mention "with appropriate experience" in relation to older workers only. This reference should be deleted.

LTK and TT. The final sentence of subparagraph 15 (2) should be deleted as the meaning is obscure. Cooperation between SMEs and large enterprises should take place on the basis of free competition and market conditions.

Delete subparagraph 15 (3).

With regard to subparagraph 15 (4), the list of selected categories is too comprehensive. In exceptional cases, it might be possible to accept specific support for certain selected categories, mainly disabled persons, when they aspire to become entrepreneurs.

Germany. This Paragraph specifies a number of particular problem areas including long-term unemployment, where specific measures could be applied, but makes no suggestion as to the content of possible measures.

BDA. Greater prominence should be given in Paragraph 15 to the importance of state safeguards for competition.

Italy. Governments should develop or strengthen a set of enterprise support services into which they can feed specific policies devised to address the various categories of workers left on the sidelines of the labour market. On this point, in subparagraph 15 (4), the following wording is used: "older workers with appropriate experience". This is absolutely in line with what was laid down by the G8 countries at their Conference in Kobe. Since societies are tending increasingly to have an ageing population, efforts to bring older people into the workforce must continue and be given higher priority. However, there must be a steady drive to train workers with seniority and redeploy them so that their knowledge and experience can be framed to suit the requirements of the labour market. This drive can take the form of training courses, more flexi-time arrangements, or tailor-made support from the public administration to foster contacts between workers and potential employers.

Given their importance, the provisions of subparagraph 15 (6) must be highlighted with regard to encouraging support for female entrepreneurship, since there are specific obstacles in the way of women's entrepreneurial ambitions. Equally important is the need to provide gender-disaggregated statistics and exchange gender-disaggregated information, and to schedule international conferences and discussion groups on the means to stimulate job creation in SMEs, with particular attention to support for women who either already are or wish to become entrepreneurs.

Jordan. Amman Chamber of Industry. Subparagraph 15 (6) and clause 18 (c) both refer to female entrepreneurs; it would be more correct to refer to "female employers", a term which is more commonly used.

Norway. With regard to subparagraph 15 (4), the aim of the list of selected categories is to highlight a number of groups which may have special needs or which it may otherwise be particularly desirable to encourage to show initiative and innovation. The list is probably not intended to be exhaustive but to provide an overview of categories of persons at which measures could suitably be targeted. The final sentence of the subparagraph calls for detailed policy formulation with regard to these groups to be based on national circumstances and priorities.

The three words "with appropriate experience" results in the singling out of one particular subcategory of older workers. Consequently, as the ILO Secretariat says, the list is limiting. On the other hand, if these words are deleted there is nothing to prevent member countries, if they so wish, from formulating measures targeted at older workers with appropriate experience, however this may be interpreted in various contexts. Against this background Norway agrees with the ILO Secretariat's viewpoint, and believes that the three words can with advantage be deleted.

In subparagraph 15 (5), Norway agrees that the most natural channel of communication is between the authorities and organizations of small and medium-sized enterprises, and not directly with SMEs. The addition of the words "organizations of" is therefore endorsed.

However, also in subparagraph 15 (5), Norway suggests deleting the five words "which lack specialized support staff". In its view they unnecessarily narrow the scope of this subparagraph. Indeed they may also give the impression that special know-how is needed to communicate with the authorities. The main point here is rather that SMEs and the authorities do not necessarily "speak the same language" and this can be the case regardless of what type of personnel are employed by SMEs. Should these five words nevertheless be retained in the Recommendation, consideration should be given to including a qualifying word to remove any doubt about who it is that lacks specialized support staff, whether it is the SMEs or their organizations.

Still in subparagraph 15 (5), Norway does not agree with the wording that such communication should help to "facilitate understanding" of government policies, rather than "improve the effectiveness" of government policies (original wording). Understanding is only one of several elements which may be of significance to policy implementation. Other possible questions could be linked, for example, to how the target group should be reached and delimited, the mix of policy instruments, and alternative strategies for policy implementation. Hence, it is considered that the ILO Secretariat's proposed amendment restricts the scope of this sentence. The broader meaning of the original text should be retained.

NHO. It is difficult to understand the practical implications of subparagraphs 15 (5) and 15 (6), and they should therefore be deleted.

Portugal. In subparagraph 15 (4), it does not seem desirable to add to "older workers" the phrase "with appropriate experience" because it pointlessly restricts the usefulness of the measure in question.

With regard to subparagraph 15 (5), the change introduced by the ILO Secretariat (replacing the phrase "improve the effectiveness of" with "facilitate understanding of") appears pertinent.

Spain. In subparagraph 15 (4), insert "or to form cooperatives or other social economic units" after the word "entrepreneurs".

Also in subparagraph 15 (4), move "young persons" to second place in the list of categories of persons aspiring to become entrepreneurs, on the grounds that young persons as a group face difficulties in integrating into the labour market in all countries. In the richer countries, they make up a large proportion of the long-term unemployed, and in the poorer countries they are often forced to emigrate. Putting them in second place in the list means giving them a degree of priority.

With regard to subparagraph 15 (5), the term "specialized support staff" should be changed to "specialized staff".

United States. Subparagraph 15 (2): No objection.

Subparagraph 15 (3): No objection.

In subparagraph 15 (4), the phrase "with appropriate experience" should be deleted.

With regard to subparagraph 15 (5), the Committee's text is preferred. The original draft draws attention to the high priority given to facilitating access to credit and finance for SMEs. The proposed change weakens this important point which should be highlighted by the word "special" The insertion of the phrase "organizations of" SMEs shifts emphasis away from enterprises themselves and creates the prospect of bureaucratic layering to the detriment of job creation by enterprises. The original text cor-

rectly emphasizes the "effectiveness" of government policies, not simply "understanding" those policies in an abstract manner. The proposed change misses the point, since effectiveness of government policy in the creation of an environment where SMEs create jobs is the larger objective.

Office commentary

Paragraph 15 attracted a wide range of comments. Some issues receive particular attention:

In subparagraph 15 (4) the words "with appropriate experience" and in subparagraph 15 (5) the words "which lack specialized support staff" are felt to unduly limit the coverage of the specific measures which are the subject of the provision. In both cases, the Office agrees and the words have been deleted.

In subparagraph 15 (5), it is felt that the intention behind the Provision could be more clearly expressed by replacing the words "to facilitate understanding of" by the words "to improve the effectiveness of". The Office agrees and the text has been amended accordingly.

V. Roles of employers' and workers' organizations

16. Employers' or workers' organizations should consider contributing to the development of small and medium-sized enterprises in the following ways:

(a) articulating to governments the concerns of small and medium-sized enterprises or their workers, as appropriate, regarding the policy and legal framework in which they operate;

(b) providing direct support services in such areas as training, consultancy, easier access to credit, marketing, advice on industrial relations and promoting linkages with larger enterprises;

(c) cooperating with national, regional and local institutions which provide support to small and medium-sized enterprises in such areas as training, consultancy, business start-up and quality improvement and control;

(d) participation in councils, task forces and other bodies at national, regional and local levels established to deal with important economic and social issues, including policies and programmes, affecting small and medium-sized enterprises;

(e) promoting economically beneficial and socially progressive enterprise restructuring (by such means as retraining and promotion of self-employment) with appropriate social safety nets;

(f) involvement in promotion of exchange of experience and establishment of linkages between small and medium-sized enterprises;

(g) participating in the monitoring and analysis of social and labour-market trends affecting small and medium-sized enterprises, concerning such matter as terms of employment, working conditions, social protection and vocational training, and promoting corrective action as appropriate;

(h) involvement in activities to raise quality and productivity, as well as to promote ethical standards and gender equality;

(i) preparing studies on small and medium-sized enterprises, collecting statistical and other types of information relevant to the sector, including gender disaggregated statistics, and

sharing with other national and internati nal employers' and workers' organizations this information as well as lessons of best pra tice;

(j) providing services and advice on worker rights, labour legislation and social protection for workers in small and medium-sized e terprises.

Observations on Paragraph 16

Austria. ÖGB. The role of workers' and employers' organizations as defined in Part V can be of great significance to the positive development of small and medium-sized enterprises.

With regard to clause (e), the restruc turing of firms by, for example, promoting self-employment is hardly likely to prov de the necessary protection for workers or safeguard suitable working conditions.

With regard to clause (i), workers should also be covered by the studies in question.

Brazil. CNT. Most of the drafting cha nges made by the ILO do not alter the thrust of the proposals made at the 85th Session with the exception of clause (e), for which the original text (below) should be maint ained, since the revised text (in the Report) establishes commitments regarding the pr omotion of new enterprise structures in these areas:

Thus, maintain: "taking part in the de elopment of economically and socially pro-gressive restructuring (for example, retr aining and promotion of self-employment) while maintaining appropriate social safe y nets" (text adopted at the 85th Session).

Canada. In clause (c), delete "improv ement and control" and possibly "quality". In clause (e), the role of these organiz ations goes beyond "promoting"; the phrase "taking part in the development of" shoul l be restored.

With regard to the rest of Paragraph 1 6 — no objection.

Canadian Federation of Independent Business. In clause (c), delete "improvement and control"; "quality" could also be dele ed.

In clause (e), it is important to retain "taking part in the development of".

In clause (f), the word "commercial" has been deleted, although in the context of this clause, it is acceptable.

Egypt. Agreed.

Finland. LTK and TT. With regard to Paragraphs 16 and 17, it is no business of the ILO to take a stand on how labour market organizations should act. The organizations act to promote their members' interests, a nd it is for the members to decide what form their activities should take. Delete Paragr aphs 16 and 17.

Germany. BDA. It should be made c ear that there should be no specific political directions regarding the possible roles an activities of employers' and workers' org-anizations in this area.

Jordan. Amman Chamber of Industr . In clause (e), it would be preferable to re-place the phrase "promotion of self-empl yment" with "promoting the potential of the self-employed".

Tunisia. In the first line of Paragraph 16, it would be more appropriate if the phrase "employers' or workers' organizations" were replaced with "employers' and workers' organizations".

United States. In clause (c), the word "improvement" should be deleted, since "quality control" is the concept in need of emphasis and there might be confusion in the revised text with national, regional or local control of a regulatory nature.

In clause (e), there is no objection to the word "promoting" replacing the deleted text. However, the word "enterprise" should be deleted, since broader issues of restructuring may be involved, especially where privatization or government deregulation are being considered.

In clause (f), the Committee's text is preferred. The emphasis should be on "commercial" linkages that create jobs. This focus on the employment-creating potential of these relationships is not inconsistent with subparagraph 15 (2).

With regard to clause (g), the Committee's text is preferred, since "issues" would be more focused than "trends". The word "promoting" should be deleted in this context, as should "corrective action", since not all appropriate action is "corrective" in nature.

Office commentary

On the basis of the comments received, the Office has introduced the following changes:

In clause (c) the words "improvement and" have been deleted to simplify the text.

In clause (e) the word "enterprise" has been deleted to avoid unduly limiting the scope of the provision.

In clause (f) the word "commercial" has been reintroduced to highlight the commercial character of the linkages.

In clause (g) the word "issues" has been restored in place of the word "trends" to avoid unnecessarily limiting the coverage of the Provision.

17. Small and medium-sized enterprises and their workers should be encouraged to be adequately represented, in full respect for freedom of association. In this connection, employers' and workers' organizations should consider widening their membership base to include small and medium-sized enterprises.

Observations on Paragraph 17

Argentina. The proposed instrument contained in Report IV (1) is broadly consistent with the proposals and observations made by the Republic of Argentina during the first discussion in June 1997. However, it is important to emphasize the functions of employers' and workers' organizations. Argentina believes that it is very important to promote the organized representation of small enterprises by employers' organizations and the establishment of sections within workers' organizations to deal with the specific problems of workers in small enterprises. This would facilitate compliance with sections 101 and 102 of Act No. 24.467.

Austria. ÖGB. The safeguarding of workers' rights in small and medium-sized enterprises, and specifically, workers' trade union representation, is of vital importance. It is also important that, as indicated in Paragraph 2, any measures taken should be appropriate to national conditions and consistent with national practice

Belgium. CNT. It should be specified that this provision refers to organizations that are recognized as being representative at the national level.

Canada. Agreed.
CLC. The CLC strongly supports the wording of paragraph 17.

Croatia. UATU. It is suggested that the first sentence should be enhanced. This sentence is of particular significance, because it is in the interest both of the trade unions and of employers' associations to strengthen their presence in small and medium-sized enterprises and to admit members from such enterprises. This poses particular problems in Croatia. Therefore, the Government suggests that the following wording be added at the beginning of Paragraph 17: "It is of particular importance that . . .".

Czech Republic. In the Czech Republic, no distinction is made with regard to access of small and medium-sized enterprises to employers' associations or with regard to access of trade unions to trade union associations. The procedure of their creation is very simple, non-discriminatory and consistent with ILO requirements concerning freedom of association.

Denmark. FTF, AC and LO. The FTF, AC and LO fully support the insertion at the end of the first sentence of the words "in full respect for freedom of association".

Egypt. Agreed.

Finland. LTK and TT. See comments on Paragraph 16.
SAK, STTK and AKAVA. This Paragraph is strongly supported.

Norway. LO. Paragraph 17 on workers' representation and freedom of association is very positive and must be supported.

Rwanda. CESTRAR. The wording of Paragraph 17, which includes the following: "Small and medium-sized enterprises and their workers should be encouraged to be adequately represented, in full respect for freedom of association.", is strongly supported.

Switzerland. SGB. Considerable importance is attached to the proposed wording of Paragraph 17. The employers wanted to tone down this wording during the 1997 Conference. It is hoped that the Swiss Government will oppose any weakening of this provision.

Office commentary

The replies indicate general support and the wording has been retained unchanged.

VI. International cooperation

18. Appropriate international cooperation should be encouraged in the following areas:

(a) exchange of information, gender disaggregated where appropriate, on best practices in terms of policies and programmes to create jobs and to raise the quality of employment in small and medium-sized enterprises;

(b) creation of linkages between national and international bodies and institutions that are involved in the development of small and medium-sized enterprises, including employers' and workers' organizations, in order to facilitate:

(i) exchange of staff and ideas;

(ii) exchange of training materials, training methodologies and reference materials;

(iii) compilation of research findings and other quantitative and qualitative data, gender disaggregated where appropriate, on small and medium-sized enterprises and their development;

(iv) establishment of international partnerships and alliances of small and medium-sized enterprises, subcontracting arrangements and other linkages;

(v) development of new mechanisms, utilizing modern information technology, for the exchange of information between governments, workers' and employers' organizations on experience gained with regard to the promotion of small and medium-sized enterprises;

(c) international meetings and discussion groups on approaches to job creation through the development of small and medium-sized enterprises, including support for female entrepreneurship;

(d) systematic research in a variety of contexts and countries into key success factors for promoting small and medium-sized enterprises which are both efficient and capable of creating jobs providing good working conditions and adequate social protection;

(e) promotion of access by small and medium-sized enterprises and their workers to national and international databases on such subjects as employment opportunities, market information, laws and regulations, technology and product standards.

Observations on Paragraph 18

Canada. In sub-clause (iv), the word "commercial" is necessary in this context and should be retained. It had been deleted to make the text consistent with Paragraphs 2 and 15 and clause 16 (f).

In clause 18 (c), replace the words "female entrepreneurship" with the words "entrepreneurship among women, marginalized and disadvantaged groups" and cite appropriate examples.

Canadian Federation of Independent Business. In sub-clause 18 (b) (iv), the word "commercial" is necessary and should be retained. It had been deleted to make the text consistent with Paragraphs 2 and 15 and clause 16 (f).

Egypt. First sentence: Agreed.

In clause (a), delete the phrase "gender disaggregated where appropriate".

Sub-clauses 18 (b) (i) and (ii): Agreed.

In sub-clause 18 (b) (iii), delete the phrase "gender disaggregated where appropriate".

Sub-clauses 18 (b) (iv) and 18 (b) (v): Agreed.

Clauses 18 (c), 18 (d) and 18 (e): Agreed.

Finland. The idea of enhancing cooperation between SMEs at an international level should be endorsed. There may, however, be a problem, given that the term "small and medium-sized enterprises" may cover enterprises of widely varying sizes in different countries. For example, an enterprise with over a hundred employees and an enterprise with 10 employees may have very little in common except for their client relations. Further problems may be caused by the fact that the capacity of SMEs to engage in international cooperation (for example, exchange of personnel or experience) is obviously quite limited in Finland, and some other countries.

LTK and TT. With regard to clause (b), the reference to the aim of facilitating subcontracting arrangements is positive. Subcontracting arrangements and enterprise networking are a natural way of organizing production at both national and international levels. An effective organization of production often requires different types of subcontracting arrangements.

SAK, STTK and AKAVA. Clause (a) is strongly supported.

Norway. LO. The Paragraph on international cooperation is acceptable.

Portugal. In Paragraph 18, the Government does not, unlike the CCP, feel that references to exchanges of gender-disaggregated information are excessive, particularly since clauses (a) and (b) include the qualifying expression "where appropriate".

CCP. In a field as broad as that of international cooperation, the emphasis laid here on the different treatment of the sexes seems excessive, particularly since there are other categories of workers deserving of special treatment. In this regard, amendments are needed to Paragraph 18, clause (a), sub-clause (b) (iii) and clause (c) in order to broaden the meaning to include all situations of risk in the matter of employment.

Rwanda. CESTRAR. Part VI is accepted.

United States. With regard to sub-clause 18 (b) (iv), the Committee's original text is preferred. A "commercial" emphasis should be retained for the reasons indicated previously.

Clause 18 (c): No objection.

Clause 18 (d): No objection.

Office commentary

In sub-clause 18 (b) (iv) the word "commercial" has been restored to highlight the commercial character of the linkages.

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